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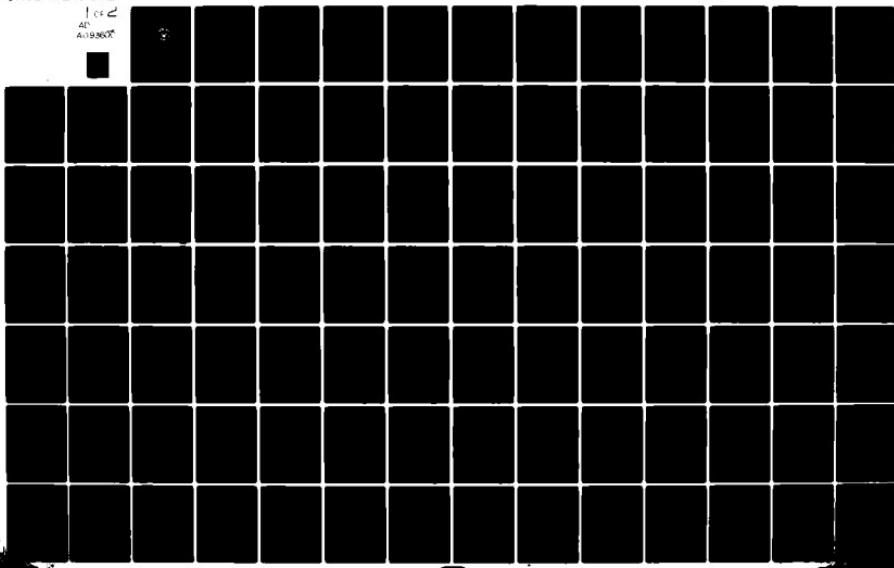
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THESIS

THE DEVELOPMENT OF THE JUNIOR LEVEL
ARMY FINANCIAL MANAGER

by

Robert B. Tully and
John R. Batiste

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Thesis Advisor:

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The Development of the Junior Level Army Financial Manager

by

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BS, USMA, West Point 1973

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Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

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ABSTRACT

This thesis is an analysis of the degree of job preparation manifested by Army junior level financial managers in their first comptroller related assignments. The research stemmed from a perception, developed from interviews, that all is not well within the comptroller community. It identifies those comptroller functional responsibilities where the young manager has not performed to expectations or where the officers are not adequately prepared to perform their duties. The authors accomplished this research by means of a survey questionnaire and an examination of recent audit report findings on the subject. Functional responsibility shortcomings were identified, prioritized, and analyzed in relationship to the Army financial management system and curricula of ongoing comptrollership courses. The study culminates with a proposal for an Army practical comptrollership course and a financial management intern program designed to deal with the identified comptroller job preparation shortcomings.

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I. INTRODUCTION

A. BACKGROUND

For fiscal year (FY) 1981, the Department of Defense estimated the budget of the United States Army to be \$39.001 billion. In all probability, this figure will be increased in the FY 82 and 83 budgets due to the President's commitment to increase real defense spending by 3% over the next several years. Because of the diversity and complexity of Army programs and the large budget to administer them, the Comptroller of the Army (COA) has as a primary responsibility the administrative control and distribution of these funds. The COA reports directly to the Chief of Staff of the Army (CSA). The COA staff coordinates and directs the comptroller staffs of all subordinate commands, down to the installation level. For the most part, junior officers entering their first comptrollership assignment have completed a Masters program in financial management at a postgraduate institution and have attended the Military Comptrollership Course taught at the U.S. Army Institute for Administration at Fort Benjamin Harrison, Indiana. These officers have diverse military backgrounds and in all cases, comptrollership is their alternate specialty.

The authors, while researching future job requirements in a comptrollership assignment, conducted several informal conversations with past and present Army financial managers.

From these conversations, the authors began to get the impression that all was not well in the comptroller community, particularly among officers experiencing their first comptroller assignment. The authors reached the opinion that many junior officers entering their first comptrollership assignment are unprepared for their duties because they are unfamiliar with the Army financial management system and its workings.

B. OBJECTIVE

In order to determine the degree of validity of the above opinion, the authors decided to direct a research effort at the Army comptroller community. This effort would first focus on determining whether there is a need for improving the skills of the junior level Army comptroller. Next, if the authors' research showed that such a need exists, they would attempt to identify the specific shortcomings of the junior comptroller and rank these shortcomings in order of magnitude. Once accomplished, the authors could determine if the shortcomings were correctable and if so, how they might best be corrected.

C. METHODOLOGY

In order to acquire the data necessary to prepare this report, the authors first had to determine the nature of the duties of the Army financial manager. They accomplished this by interviewing several individuals assigned to the Comptroller Directorate at Fort Ord, California, and by examining

the series of Department of the Army (DA) publications on the duties and responsibilities of the Army financial manager. The authors then obtained financial management curricula taught at several military service schools and academic institutions. The courses examined included the Military Comptrollership Course taught at the U.S. Army Institute for Administration at Fort Benjamin Harrison, the U.S. Navy Practical Comptrollership Course, the U.S. Air Force Air War College Financial Management Course, and the Military Comptrollership Course taught to the Army students enrolled in the Army Comptrollership Program at Syracuse University.

Concurrent with the above research, the authors solicited information and assistance from several individuals active in the Army comptrollership field. These individuals included Lieutenant General (Ret) Frank J. Sackton, a former COA and Acting Dean, College of Public Programs, Arizona State University; Major General (Ret) William H. Lynn, Director of the Army Comptrollership Program at Syracuse University; and Colonel William Graham, the Assistant Chief of Staff, Comptroller, 7th Infantry Division at Fort Ord, California. In addition, several individuals at the Military Personnel Center (MILPERCEN) at Headquarters, Department of the Army (HQDA) were contacted in order for the authors to gain insight into comptroller specialty assignment trends and demographic data. The above individuals all provided information relating to trends in comptrollership and the strengths and weaknesses of the junior military comptroller.

In order to gain additional insight into the strengths and weaknesses of junior military comptrollers, and to gain their assistance in the authors' project, the authors conducted a survey of U.S. Army financial managers and their junior subordinates. 215 questionnaires were sent to 49 representative Army commands containing comptroller offices. This questionnaire would form part of the basis for the authors' conclusions. In addition, the authors examined 39 Army Audit Agency (AAA) reports conducted on Army financial management activities from FY 75-79 inclusive. The findings and recommendations in these reports provided additional bases for analysis.

D. THESIS ORGANIZATION

The first chapter has briefly introduced the reader to Army comptrollership and its problems and has presented the authors's objective and research methodology.

Chapter II is a detailed description of the Army financial management system. It examines and analyzes duties of the Army financial manager, Army policy and procedures relating to financial management, and systems designed to assist management.

Chapter III details the research methods used by the authors to obtain data, and arrays that data in a manner which enhances analysis. It presents a picture of the Army comptroller staff members and identifies those comptroller functional areas in need of improvement.

In Chapter IV, the authors make recommendations commensurate with the financial management system presented in Chapter II, the data outlined in Chapter III, and the subject material contained in current military Comptrollership courses. Specifically, Appendix B will expound upon a proposed practical comptrollership course, to include subject matter topics and time requirements needed for junior officers to be prepared for their first financial management assignment. Appendix C proposes a comptroller intern program designed to augment the knowledge acquired from any of the institutional courses of instruction.

II. THE ARMY FINANCIAL MANAGEMENT SYSTEM

A. GENERAL

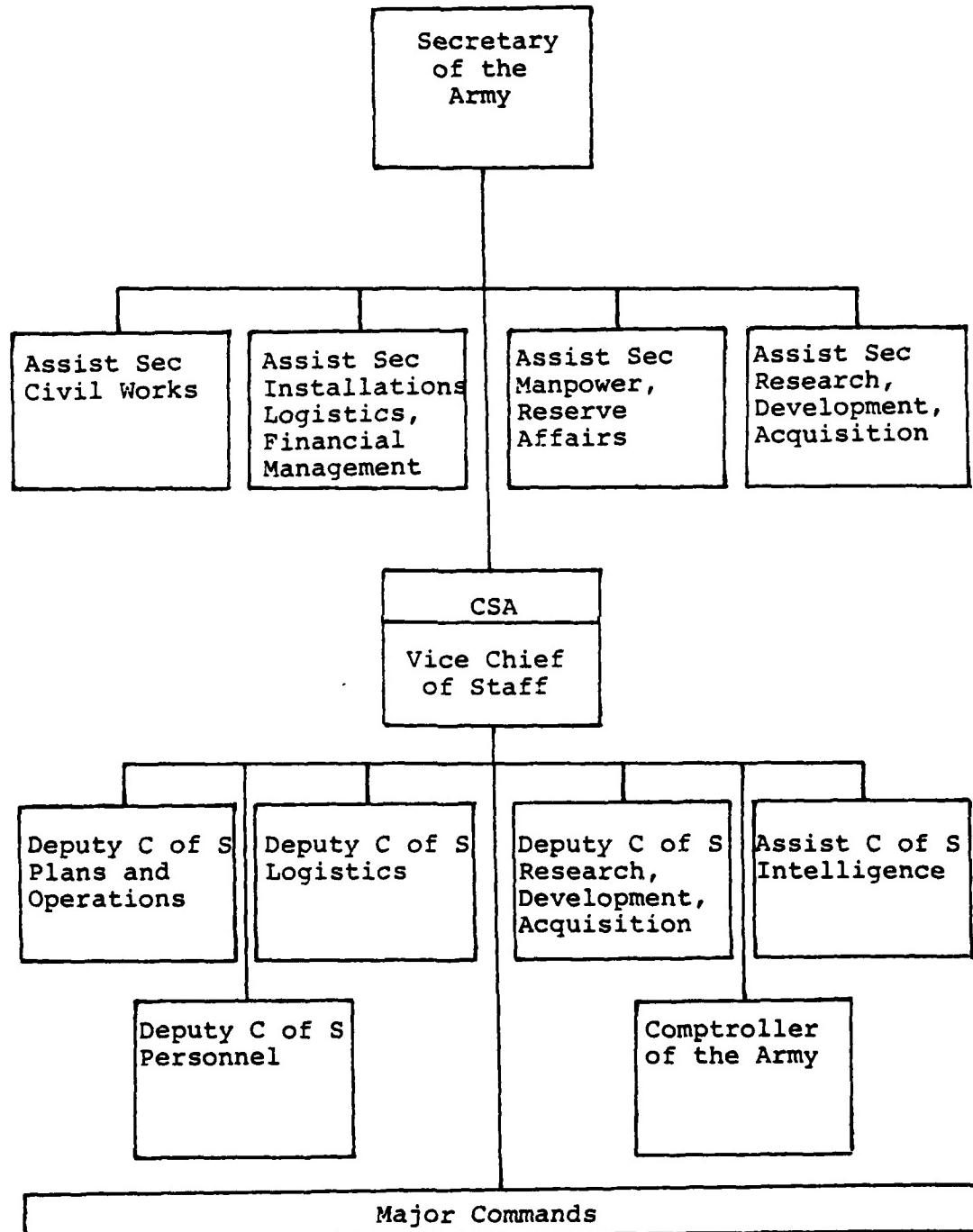
This chapter will detail the Army financial management system and will serve as the baseline for subsequent analysis and comparison. In short, one needs a thorough understanding of both the financial management system and the responsibilities of the players. For the purposes of this thesis, the system encompasses the gamut of comptroller related functions and the players that fill the spectrum of comptroller job descriptions.

Title IV of the National Security Act of 1947 directed the Comptroller of the Department of Defense (DoD) to establish and institutionalize those policies and procedures relating to the budgeting, accounting, auditing, expenditure, and collection of funds. This action and that generated by the Budget and Accounting Procedures Act of 1950 were instrumental in the formulation of current DoD management processes. [11;29] The Army responded in 1948 by establishing the Office of the Army Comptroller. The objective was to capitalize upon the use of modern management techniques in the business administration of the Army and to utilize accounting procedures more effectively in the control of both costs and operations. [8;v]

Among the lessons learned from World War II was the need for modern management techniques to promote the efficient and effective use of resources. It was recognized that military expenditures would continue to consume a large proportion of the national income. As a result, the financial management community was to become a functional organization, ultimately impacting upon every command, activity and installation within the Army.

Under the present organization, as displayed in exhibit 1, the Comptroller of the Army (COA) is responsible concurrently to the Chief of Staff and the Assistant Secretary of the Army (Installations, Logistics, and Financial Management). The COA has General Staff responsibility for independent review and analysis, accounting, fiscal auditing, the budgetary process, statistical reporting, development of the Resource Management System (RMS), and independent analysis of Army organizational functions and procedures. [10;1-6] As of April 1976, the goals of the COA included the improvement of budget development and execution, the improvement in the management of the Army Customer Order Program, the improvement of an effective and efficient independent cost analysis program, the maintenance of the Finance and Accounting Center (Fort Benjamin Harrison, Indiana) as the focal point for all accounting and financial operations, the improvement of management information systems, and the monitoring of effective career management programs for both

ORGANIZATION OF THE DEPARTMENT
OF THE ARMY



COMPTROLLER RESPONSIBILITIES

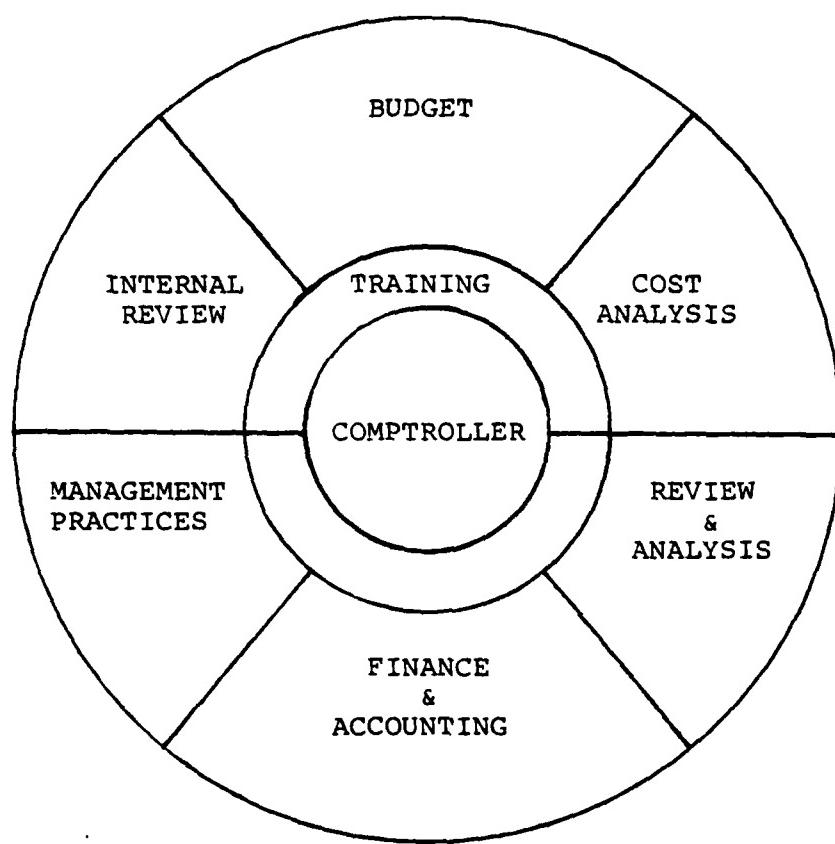
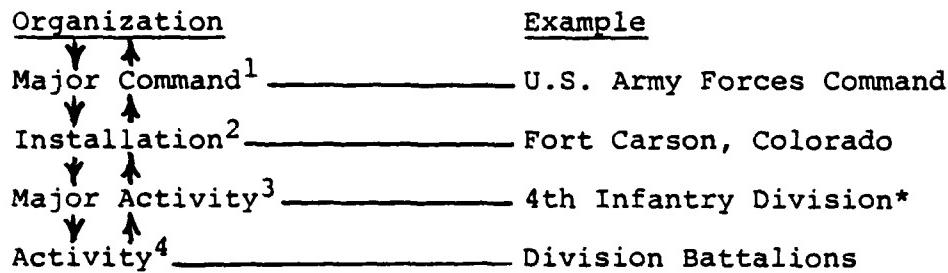


Exhibit 2 [8;xv]

Flow of Comptroller Functions



1. Major Commands are those commands that report directly to and are funded by the Department of the Army.
 2. An Installation is a group of facilities located in the same vicinity which support particular functions, reporting to a specific Major Command.
 3. A Major Activity is one of the principle functions at an Installation; a composite of activities.
 4. An Activity is a military unit or organization performing an assigned mission or function.

- * An Army division, consisting of nine line battalions and three or more support battalions, dependent upon mission and/or classification, could be considered a Major Activity or Activity depending upon the circumstances and staffing at a particular Installation.

Exhibit 3

civilian and military personnel at all levels. [8;V] A summary of integrated comptroller functions, valid for Army wide comptroller activities, is outlined in exhibit 2.

In analyzing the Army wide functions of financial managers, one should first examine the duties and responsibilities of the division comptroller. (Refer to exhibit 3) Basically, this individual concentrates upon budget execution, internal review, simple management analysis activities, and follow-up review on external installation, Army Audit Agency (AAA), and General Accounting Office (GAO) report findings. Division comptrollers have found themselves to be more and more involved with commanders down to battalion level in order to obtain quality financial data to better support and justify operating budget requests. [10;11-3] The comptroller coordinates division financial activities, the Finance Accounting Office (FAO), management review and analysis, the budget, and internal review. The comptroller is the division commander's chief financial and impartial staff advisor and participates with other division staff members to establish objectives, policies, procedures, and command organization. [10;11-23] Independently, the comptroller reviews staff decisions for effectiveness and efficiency. The effective division comptroller monitors the FAO, utilizing the internal review capability. Items of particular interest within the FAO include unliquidated balances, accounts receivable, cash controls, timing of

travel claims, and the processing of vendors' invoices for payment. [10;11-37]

The installation comptroller is again a principle advisor to the commander in respect to budgeting, accounting, internal controls, statistical reporting, and review and analysis. The comptroller's office prepares and issues those directives and procedures necessary for the preparation of budget estimations and studies. The comptroller provides the authority for the utilization of financial resources and supervises the conduct of budget analyses in regards to resource utilization and obligation rate trends. The comptroller's office further accumulates, records, and presents statistical data which indicate management deficiencies; and it maintains surveillance over the administrative control and utilization of funds. Additionally, the office insures the collection of adequate data to facilitate budget execution, reviews the major activity budget execution reports, performs internal review, and insures the continuous compatibility between consumer fund budgets for stock fund items and the Army Stock Fund Budget. [10;13-37] As an overview, the installation comptroller serves as the "honest broker" in the process encompassing budget development and execution. The comptroller must be mission oriented and simultaneously have a feel for the realities of the fiscal environment. [10;11-3] To accomplish the many assigned tasks, the installation comptroller

must rely upon various elements, to include an installation accountant, a program budget division, an internal review division, the FAO, and a management analysis division.

【10;11-25】

The Major Army Command (MACOM) comptroller has essentially the same responsibilities and functions as are found at the installation level. The organization is in fact quite similar but he must be additionally concerned with the maintenance of favorable informal relationships between the MACOM office, Department of the Army (DA), and subordinate installation comptroller offices. The priority is to provide assistance to the installations and the monitoring of compliance to command directives. A major portion of the MACOM comptroller's function should be directed towards the maintenance of contact with installation comptroller offices. 【10;11-5】

As an overview, the functional requirements imposed upon the Army financial manager during the second half of this century have indeed been awesome. While the requirements of the COA, MACOM, installation, and division comptroller are in many ways similar, the scope becomes much broader as one progresses up the hierarchy. No cook book formulas exist. The financial manager must understand the environment and learn to cope with each situation as it arises.

The remainder of this chapter will examine in detail the system within which the actors must perform. It is

paramount that the reader keep in mind that within a comptroller office the functions performed by the subordinate financial managers will include not only budgeting, but cost analysis, review and analysis, accounting, management review, and internal review.

B. MILITARY ACCOUNTING

1. The Army Fiscal Code

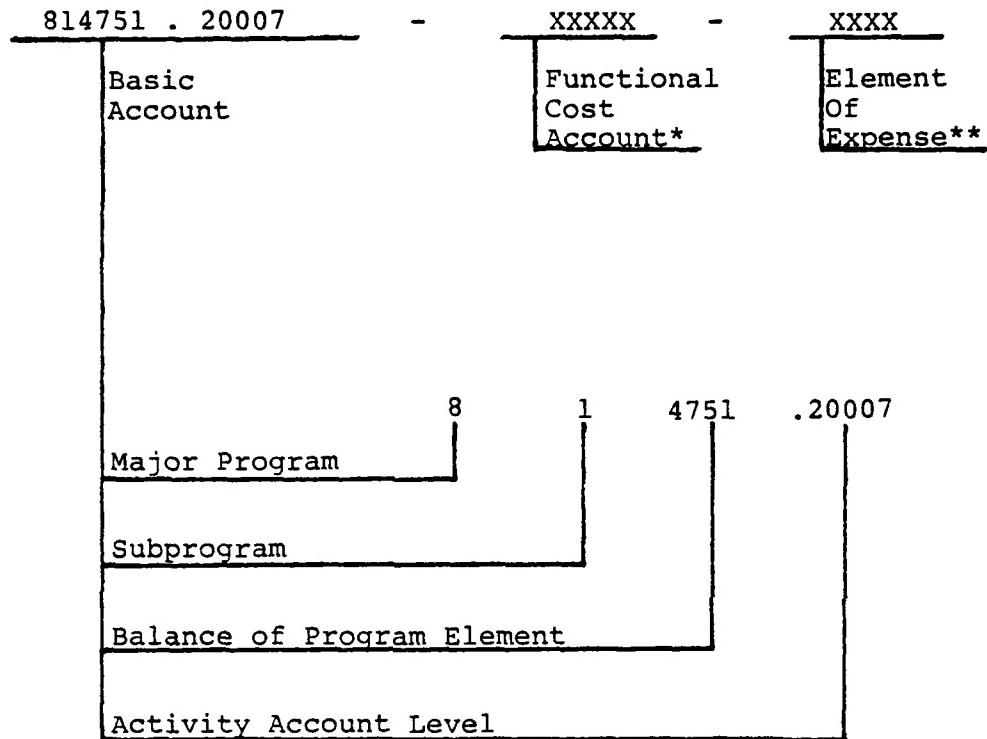
The Army Fiscal Code is synonymous with the Army Management Structure. The code prescribes official accounting codes used to classify financial and budgetary transactions, and is intended for use by budget, contract, finance, and accounting officers. [10;3-68] The system actually describes Federal financial transactions by means of a series of alphabetical and numerical symbols, which when combined, are referred to as an accounting classification. The code saves time and space and precludes the inevitable misinterpretation of data and facilitates the computerization of both financial records and reports.

[10;4-17] Since Army appropriations make use of public funds, it is necessary to provide complete and accurate information for each and every transaction. This information includes not only a reference to the applicable appropriation, but responsible installation, purpose for which funds are to be spent, and the nature of goods and services received.

The contents of the Fiscal Code, more specifically, include an explanation of the accounting code structure utilized in the classification of transactions, elements of expense and funds distribution codes, titles for all appropriations and funds made available for obligation, and account codes and abbreviations used by the FAO in the coding of military pay vouchers. [10;3-68] As an example, consider the appropriations of Operations and Maintenance, Army (OMA), Operation and Maintenance, Army Reserve (OMAR) and Research, Development, Test and Evaluation, Army (RDTE). Any accounts under these appropriations, which are identified on the Department of Defense Five Year Defense Program (FYDP), are structured as twenty digit codes involving the basic account (11 digits), functional cost account (5 digits), and element of expense (4 digits). The basic account consists of the program element and activity account. The functional cost account is a classification to collect expenses on specific and related groups. The element of expense is a classification designated to specify the type of resource being employed or consumed. [3;1-9] (See exhibit 4)

The proponent for the Fiscal Code within Headquarters, Department of the Army (HQDA) is the Office of the Comptroller. The inherent responsibility for coding includes procedures to insure valid accounting classification together with complete and legible documentation. All financial managers in a position to prepare financial documentation must be thoroughly familiar with the Fiscal Code. The

ACCOUNT CODE EXAMPLE



* A classification to collect expenses in specific groups of related functions; the first position represents the basic function, the remaining four represent the detailed cost accounts.

** A classification to specify the type of resource being employed or consumed. The first two positions identify the object class codes used for reporting to OMB and Treasury Department. The last two positions identify detailed breakouts of the object class.

Exhibit 4 [4;1-10]

FAO, monitored by the appropriate comptroller, is responsible for the review of accounting classifications for accuracy and validity. [3;1-1]

Two types of allotments are available at the installation level; open or specific. The open allotment is issued by the COA for a specific purpose. Records of such allotments are maintained at the Office of the Comptroller and include funds for the Military Personnel, Army (MPA) and a small portion of the OMA appropriations. The specific allotment is issued quarterly by the MACOM to a specific installation, authorizing the installation to obligate an exact amount for a stated purpose. Such an allotment is composed primarily of OMA funds, providing funds for the day to day operations. Records are maintained locally to prevent overobligation. Given this local controllability and accountability, one can see the need for an appreciation for the mechanics of the Fiscal Code at the lower echelons of financial management. [10;3-70]

2. Accounting Management

By definition, accounting is the recording, summarizing, and interpreting of financial data pertinent to an organization or activity. The process leads to the control of spending and serves as an aid to Army management for the purpose of planning and decision making. [10;10-14] The accomplishment of the entire mission of the Army is dependent upon the accounting process. Funds are programmed for and

received, but it is the accounting system which relates programmed cost to actual cost. The accounting system must be the common denominator to the compatibility of program, budgeting, accounting, supply, and manpower data. Army RMS satisfies this need by means of the uniform activity account codes. [10;3-73]

Various accounting systems are integrated into the Army system. The accounting system for operations deals with the expenses generated by all operating agencies in a given period of time. The accounting system for investments is concerned with acquisition costs of facilities and hardware irrespective of the time element involved with the process. The accounting system for research and development is concerned with project costs, while working capital accounting systems include both the industrial fund and stock fund systems.

Given the various accounting systems and the interrelationships therein, it became necessary to generate a common input of accounting data to insure a common output. The result is the Standard Finance System (STANFINS) flow charted in exhibit 5. STANFINS performs the accounting function for all installation appropriated funds and provides overall control for the OMA appropriation. Characteristics of the system include a standardized automated system, centralized design and development by the Computer System Command, management by exception, automatic generation of bills for appropriation reimbursements, an inquiry

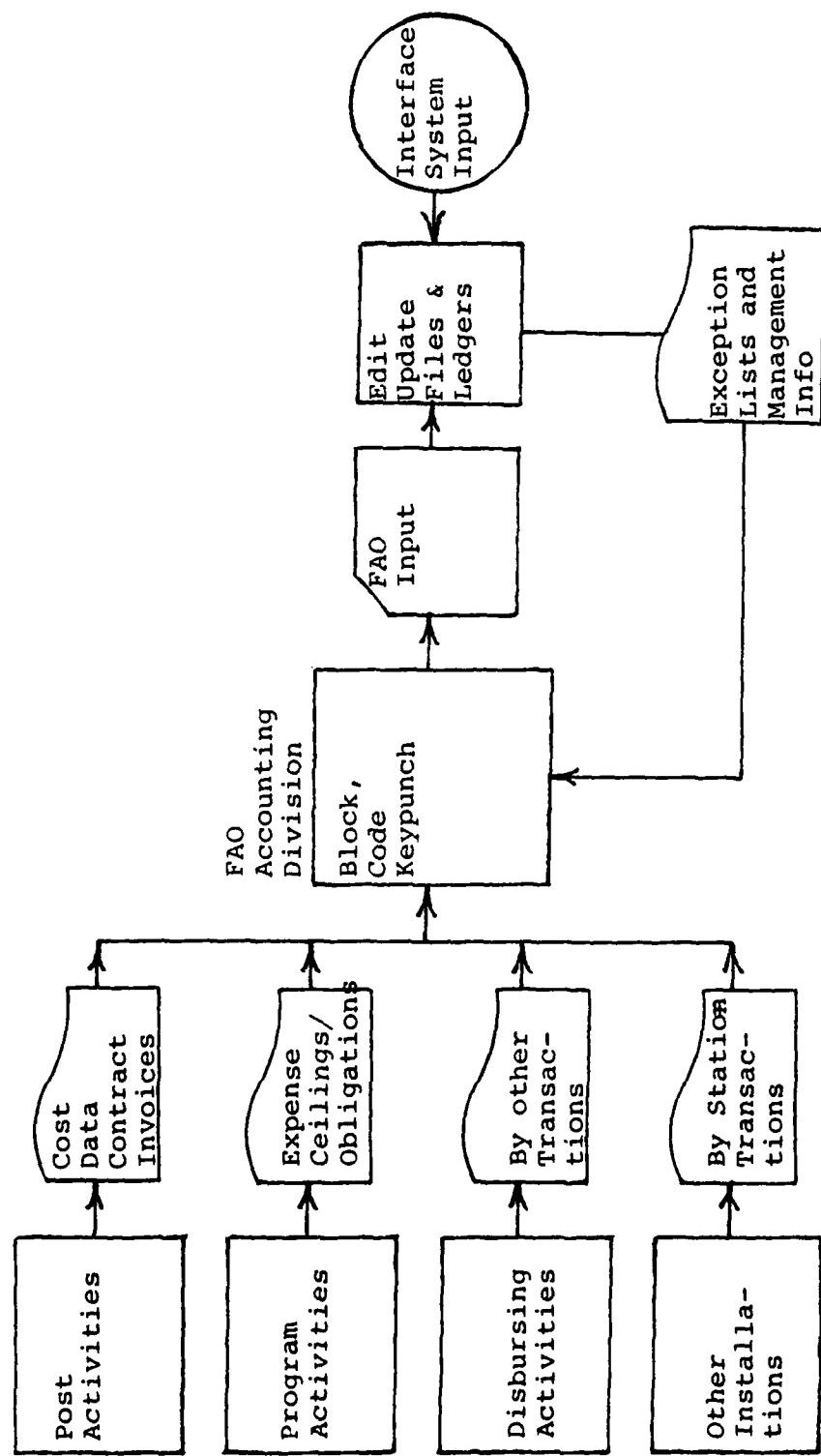


Exhibit 5 [11;226]

STANFINS FLOWCHART

capability, automatic report preparation, and maximum use of single documents. [11;222] Advantages of STANFINS include the standardization of accounting principles, economical use of material and personnel, and the interface with other automated standard systems. A COA data base is being developed to improve overall management of accounting information. The purposes of the data base, in support of STANFINS, will be to provide a data bank for Army financial managers, to provide fast and accurate information, to generate an automatic and integrated program and budgeting process, and to develop a standardized automatic Data Element Reporting System (DELMARS). [11;223] DELMARS will include a system for reporting financial data to HQDA and for producing output reports to satisfy both HQDA and the Treasury Department.

Comptrollers at all levels of command have overall responsibility for the accounting and financial control aspects of the command. In particular, the comptroller is responsible for the development of the necessary policies and procedures required to maintain the accounting systems for both appropriated and nonappropriated funds. The comptroller is also charged with the safeguarding of public funds and with the continuous appraisal of and improvement upon the operation of pay and accounting systems. To facilitate this end, the FAO comes under the technical supervision of the comptroller. In addition, the comptroller staff prepares financial statements, analyzes accounting data, and prepares

and interprets such analysis for presentation. The comptroller advises the commander on all accounting matters and is responsible for the conduct of a quality control program.

[1;8]

3. Funds Flow and Receipt

In analyzing the flow and receipt of funds, the primary source of funds for the Army is through Congressional appropriations. An appropriation allows the Army to incur an obligation for a specified purpose. The requirement for financial accountability stems from the Constitutional requirement for regular financial statements which detail the receipt and expenditure of public monies. Congress requires the budget justification process to include both an authorization and an appropriation cycle. The authorization process justifies major categories of the Army program while the appropriation cycle finances the authorized items and additional items not covered in the authorization. In addition, the executive branch has developed a system which attempts to preclude the overspending of funds made available. For example, Army OMA funds are apportioned on a quarterly basis by the Office of Management and Budget (OMB). These funds are in turn subapportioned to the COA who in turn allocates the funds to the appropriate MACOM. The MACOM in turn suballocates or allots the funds to the installation level. (See exhibit 6) In effect, the appropriation process serves to create an administrative subdivision

| DELEGATION OF OBLIGATIONAL AUTHORITY | | | |
|-------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------|
| AGENCY | ACTION | | RECIPIENT |
| Congress | Appropriates | Office, Management and Budget (for Department of Defense) | Department of Defense |
| Office of Management and Budget | Apportions | Department of the Army | |
| Department of Defense | Subapportions | Special operating agencies and those General Operating Agencies which are not subordinate to Special Operating Agencies | |
| Department of the Army (Office, Comptroller of the Army) | Allocates | Subordinate general operating agencies | |
| Special operating agencies | Suballocate | Installations and Activities | |
| General operating agencies | Allot | Activities | |
| Installation and activities | | May distribute funds by means of suballotment, obligation authority, citation of funds or expense ceilings | |
| | | FIGURE 1 | |

of funds while the apportionment process serves to minimize the tendency to overspend in any given appropriation.

The Commander's authority to incur an obligation is received on the Funding Authorization Document (FAD). The FAD specifies both the appropriation and budget program for which funds may be obligated and imposes legal as well as administrative restrictions on the use of the funds. In addition, the FAD identifies various financial authorizations, to include direct obligational authority (DOA), funded reimbursement authority (FRA), and automatic reimbursement authority (ARA). The DOA contains the authorization an installation depends upon to perform mission activities and to provide base services. The DOA authorization is apportioned quarterly in specific dollar amounts. The FRA authorization is received for specific activities and unlike the DOA, is not immediately available for obligation. Funds authorized by the FAD in this manner are available only if funded reimbursable orders had been received. The ARA authorizes an installation to engage in automatic reimbursement programs to finance individuals or non-mission activities of a temporary nature. No dollar amount is delegated. [10;3-5]

The FAD also reflects changes to an installation's command operating budget (COB). It is the result of Congressional enactment of the appropriations and reflects the countless decisions, limitations, and budget cuts made at all levels with the budget process.

4. Control of Funds

Given the receipt and distribution of funds, the system now turns to the administrative control of the same funds. This control insures that funds in excess of that appropriated are neither obligated nor disbursed, that funds are used only for those purposes for which they were intended, and that the agency head is in a position to hold an individual accountable for inappropriate action. [12;17-10] The commander is responsible for the establishment and maintenance of those means necessary to preclude overdistribution or overobligation. This authority may be delegated in writing, and as it is often the case, the comptroller is held responsible.

In regards to control of funds, one of the comptroller's roles at any organizational level is to establish and maintain the system to insure proper program authorization and funds obligation. Comptrollers and their staffs must match funds to program authorizations and determine any excess of funds during program execution. They must assist in the development of the Army management structure to provide for adequate accounting for all requirements and oversee the implementation of an integrated financial management system encompassing programming, budgeting, and financial control. [1;6]

Section 3679 of the Anti Deficiency Act contains harsh penalty provisions for overobligation. Section 3679

prohibits one from authorizing an obligation in excess of the amount appropriated and it forbids one from entering the government into a contract in advance of the appropriation of monies. The Act requires executive agency heads to prevent obligations from exceeding apportionments and requires, in the event of overobligation, that responsibility be fixed to an individual. Penalty provisions include suspension without pay and removal from office. If an overobligation is knowingly and willfully committed, the official can be fined up to a maximum of \$5000. or jailed for not more than two years or both. [10;3-18]

Lieutenant General J.A. Kjellstrom, COA in May of 1977, however, felt that most 3679 violations were caused by confusion or ineptness in planning and performance.

[10;11-7] To preclude such mistakes, it was recommended that the comptroller conduct quarterly reviews of financial records and that commanders take action to insure that local orders and directives are not in violation of DA regulations. As a final note, delegation does not relieve the commander of responsibility in the event of a 3679 violation within the command.

An obligation is a legal reservation of funds by an authorized agent of an executive agency which is legally binding only when the following eight prerequisites are satisfied. The agreement must be in writing, there must exist a valid loan agreement, the order must be required in

a specific appropriation, purchase orders must exist, evidence of grants or subsidies must be documented, liability exists under pending litigation, funds are obligated for personal services, travel, or utility services, or other legal liabilities are present. [10;3-16] The accrued expenditure, going a step further, represents the receipt of supplies or services for which an obligation has been incurred. Such an expenditure is recorded whether or not payment has been made or an invoice has been received.

[10;3-17] It follows, then, that undelivered orders will equal the difference between obligations and accrued expenditure.

An unfunded expense is generated by an acquisition of various high dollar supply items for Army wide use. Such funds are managed centrally and procedures have been established for centralized budgeting and funding. Supplies are ultimately supplied to the operating agency, identified as unfunded expenses. The supplies are usually funded by the Procurement of Equipment and Missile, Army appropriation and are essentially provided to the OMA funded installations without charge. OMA obligational authority is not depleted. The receipt of unfunded property to an installation increases the unit's asset inventory, but has no effect upon budgetary or expense accounts. The expense is simply charged against the installation as an unfunded expense.

[10;6-9]

In addition to the installation direct obligations, certain base operation expenses include indirect overhead charges which must be budgeted within the OMA appropriation. These charges include expenses incurred in the maintenance of local headquarters, administrative functions, supply and maintenance activities, and local support services. [10;6-11] Of course, such overhead expenses can only be budgeted if the cost for the services can be determined with some degree of accuracy.

An installation's reimbursement program provides for those funds required to finance the operation of various revenue producing activities located within an installation, not essential to the mission. Such funds are controlled by a higher headquarters, while the reimbursement to appropriated funds are budgeted, controlled, and accounted for at the level of performance. By definition, reimbursable funds provide support initially by means of mission funds, but the customer will reimburse the installation through a billing process. The two types of funded reimbursements include funded and automatic. The funded reimbursement authorization is received on the FAD. These funds are not immediately available for obligation, but are placed within a reserve account and can be obligated given a valid installation requirement. The automatic reimbursement authority is not contained within the FAD, but is generated by the installation given the need to temporarily finance the procurement of supplies and services not vital to the mission. In

both cases, the funds available to an installation for obligation are increased given a rise in reimbursable customer receipts. [10;7-1]

5. Accounting Reports

Accounting's chief objective within the Army financial management system is to provide the commanders with information required to make worthwhile decisions. The data is made available to the manager by means of a reporting system aimed at providing the meaningful and timely recording, classification, summarization, and interpretation of financial information. The reporting system fulfills both the internal and external control requirements. Financial reports are designed to reflect financial planning and programming, to include the total transactions for a given period of time, to be consistent, and to provide for the full disclosure of financial status of performance. [11;145] A function of RMS has been to revise the Army's reporting system. The goal has been directed towards the integration of financial status reporting and performance reporting for each appropriation summarized progressively from the installation through DA to the Treasury Department. The current system calls for a larger number of reports at the lower levels, which become progressively tailored as the data is reported up the chain of command.

The Accounts Office of a MACOM is a division of the office of the comptroller and is responsible for the consolidation of the activity and installation accounting reports

and for providing management information to their command and HQDA. The Accounts Officer is responsible for the consolidation, reconciliation, and summarization of data before forwarding it to the United States Army Finance and Accounting Center, Fort Benjamin Harrison, Indiana (USAFAC). The USAFAC in turn forwards the reports through DOD, to OMB, and to the Treasury Department and prepares reports for budgetary management and formulation purposes for HQDA financial managers. The USAFAC is an operating agency of the COA and is charged with the maintenance of DA general and subsidiary ledgers and the report preparation required by HQDA. [11;146] The bulk of USAFAC reports are budget oriented and reflect status of funds and obligation reporting. The reports focus on the control and use of Army obligational authority as appropriated during the Congressional appropriation and reimbursement process.

The Integrated Command Accounting Reporting System (ICAR) currently reports all installation financial transactions which affect the payment or receipt of Congressionally authorized funds. This system contains reports which indicate the status of an approved operating budget, allotments, obligations, reimbursements, special open allotments, and family housing operations and maintenance costs. The reports are due from activities to the installation Accounts office not later than the tenth calendar day of the month for the previous reporting period.

A reporting system currently being prepared for Army wide implementation is the Data Element Management and Accounting Report (DELMAR) which will require all activities to forward expenditure data directly to a centralized data bank at USAFAC. The system was initially operated in 1975 and greatly facilitates the reporting process in regards to accuracy, speed, and information relevancy. At that point in time when all Army financial activities can report expenditure data at the required detail, the monthly expenditure reports currently required by the ICAR will be eliminated and replaced by the DELMAR. [11;150]

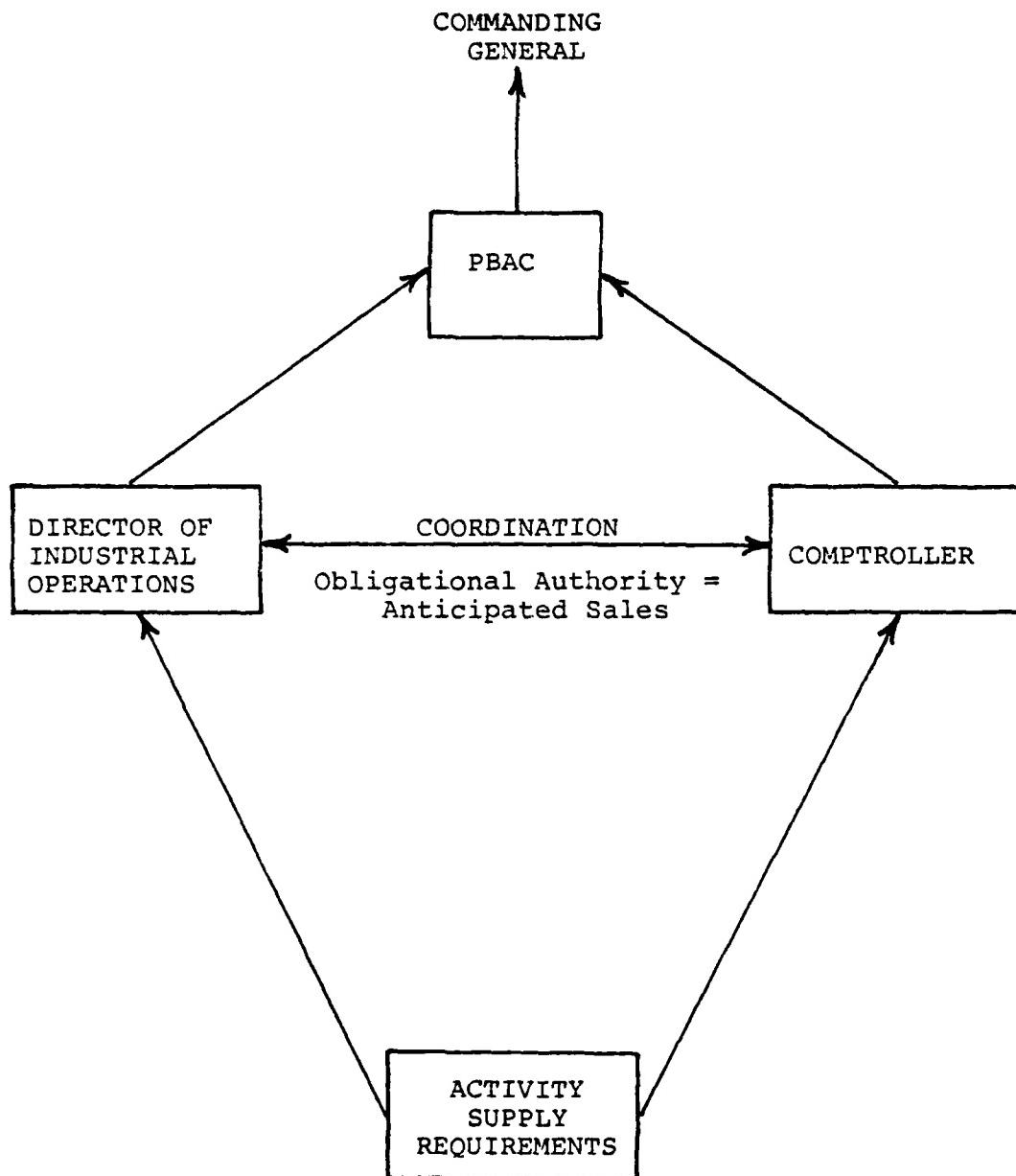
6. Revolving Fund Concepts

The Army's two revolving fund accounts include the Army Stock Fund (ASF) and the Army Industrial Fund (AIF). The ASF finances the cost of inventory until that point in time when supplies are issued on a reimbursable basis to the various activities and installations. The capital of the stock fund remains theoretically constant and includes funds with the U.S. Treasury and inventory stockage held for resale. [9;4-15] The ASF has the overall responsibility for the supply and financial management of the entire supply system. The system finances the procurement of items, holds them in inventory until sold to an activity, which in turn reimburses the fund with appropriated QMA dollars. Control of the fund is centralized within HQDA. The system includes all consumable supplies, but excludes end items of equipment. [11;166]

The ASF concerns itself with either wholesale or retail operations. It does not require an appropriation for its livelihood, but it must have obligational authority to purchase supplies. The authority used by the respective customers for making purchases from the stock fund is in fact budgeted for by the customer. The primary purpose of the budgetary cycle is for the determination, receiving, and control of the amount of obligational authority needed in order to sustain inventory levels in support of the mobilization reserve requirements. The installation Director of Industrial Operations (DIO) is directly responsible for the formulation of the stock fund budget given activity supply requirements. The comptroller is responsible for insuring that the stock fund obligational authority has been programed for in direct relationship with anticipated sales and renders required assistance to the DIO. The sales estimations by appropriation source are stratified and the stock fund sales forecasts are reconciled with OMA appropriation accounts. The comptroller further insures that the sales programs are reviewed and analyzed. [9;4-23]

(See exhibit 7)

The Standard Army Intermediate Level Supply Subsystem (SAILS) facilitates the processing of the ASF by means of an integrated, standard, and automated supply and financial management system. SAILS operates with standard computer programs and insures the effective performance of



Relationship of the Stock Fund Budget and OMA Command Operating Budget at the Installation Level

Exhibit 7 [11;176]

the supply function by improving supply management, generating accurate and timely data, managing by exception, accelerating supply response, reducing errors, and reducing administrative workload. Within the SAILS system is a Stock Fund Module which automates the financial functions of the stock fund. The module processes all supply transactions, highlighting the financial aspects and monetary inventory accounting. [11;181]

The ASF system also can interface with STANFINS. STANFINS will accept tapes which contain detailed supply transactions and run programs which will execute stock fund financial inventory accounting, consumer fund accounting, and reporting. When utilizing SAILS, however, the input data will automatically bypass STANFINS. Both systems, however, greatly enhance the stock fund system and the financial manager in his role as stock fund coordinator.

The second category of working capital funds, the AIF, is a revolving fund authorized by Congress as a source of funds for business type activities to include printing, transportation, and maintenance services. Proceeds from sales are maintained within the fund, thereby financing continuous operations.

AIF charters are issued by DoD to DA for selected Material Readiness Command (DARCOM) and Military Traffic Management Command (MTMC) operations. The charter authorizes the activity or command to operate somewhat as a private

sector corporation with similar accounting techniques and management control systems. Prices are established for the AIF to recover expenses and are adjusted periodically to ensure reimbursement for expenses incurred. AIF activities are essentially nonprofit enterprises.

AIF programs and budgets are prepared at each installation and are consolidated into five major activity groups for ultimate submission to DoD and OMB for review and approval. [8;41]

7. Manpower Management

The Army Force Program (AFP) is a process whereby Army units are managed and scheduled. Both military and civilian manpower requirements are set. It establishes in detail the Army's force structure for the current and budgeted years and supports budget requests during the budget cycle. The AFP is a management system which maintains the force structure at levels concurrent with the latest budget and structure decisions. [6;3-1]

The objectives and strength allocations for the structuring of the active Army are contained in the Budget and Manpower Guidance (BMG). Total manpower requirements, mission priorities, and availability of funds and manpower are all considered in the programming process. With the addition of manpower management, the comptroller fulfills the duties of a total resource manager. In fact, this is often the case and the comptroller and resource manager have

come to be one in the same. Both are deeply concerned with the manning levels, budgeting and funding problems associated with manpower management.

C. PROGRAMMING AND BUDGETING

1. Planning, Programming, Budgeting System (PPBS)

Since all resource requirements and planning alternatives within the Army are eventually converted to dollars, the comptrollers and their budget staffs are becoming more and more involved in the management process. The comptroller is deeply involved with the programming and budgeting functions which ultimately justify funds against which the Army makes obligations for supplies and services in order to accomplish its mission.

PPBS is the DoD management system which is exercised to provide for an effective use of resources and the accomplishment of assigned missions. The system provides for the timely input of organizational needs in regards to policies, objectives, strategy, and material acquisition and the issuance of detailed guidance to the Army Staff and major commands. The PPBS system is a dynamic process with three separate cycles running concurrently at all times. While the COA has Army Staff responsibility for the budgeting phase of the process, Comptrollers and their respective staffs perform throughout all the programming phase as well.

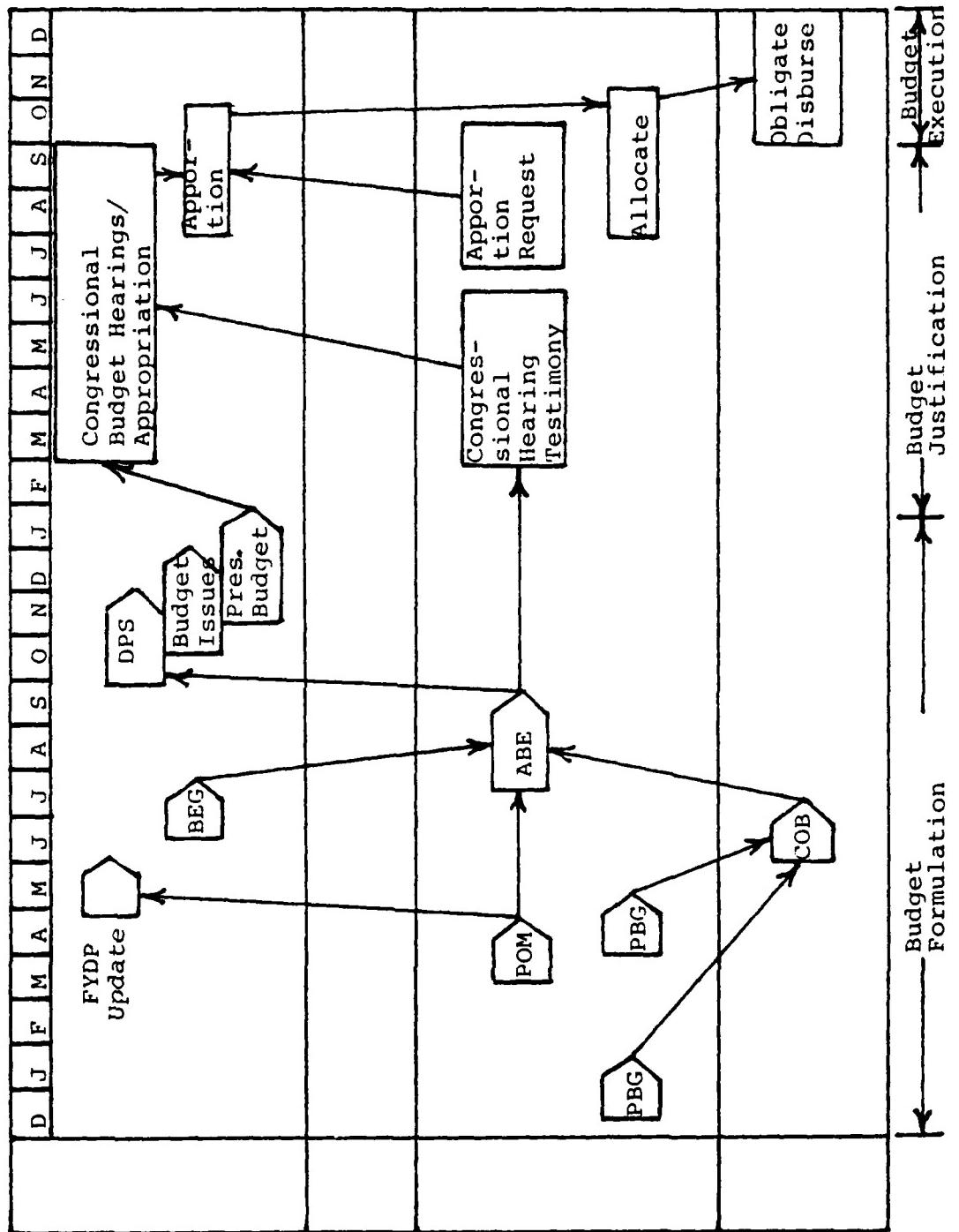
【11;1-1】

The planning phase includes an examination of organizational goals and objectives for the short, mid, and long range. The process generates new strategies to accomplish any given mission and determines force levels to sustain the strategies. The programming phase transforms the approved plans into program objectives and determines what objectives are to be accomplished given limitations of available resources. The budgeting process determines the funds level needed to carry out the given programs. The standards and workloads generated during the process later become driving motivators for managers. [10;10-10]

The Office of the Secretary of Defense (OSD) Budget Estimates Guidance (BEG) begins the budgeting phase of PPBS and includes guidance for budget formulation. The BEG explains new OMB or OSD policies, establishes the basis for budget estimates contained in the Program Decision Memoranda (PDM), specifies the detail to be provided for those items subject to Congressional review, and provides guidance in regards to inflation indices, use of FYDP data, and outlay rates. [8;8] After receiving the OSD guidance, the Director of the Army Budget (DAB) provides guidance to the various appropriation directors for the preparation of their respective budget estimates. The appropriation directors present and defend their formulated budgets in August and September of each year before the Budget Review Committee, the COA, the Vice Chief of Staff, and Under Secretary of the

Army. Upon approval, the DAB presents the overall Army Budget Estimates (ABE) to the Army Chief of Staff (CSA), who in turn submits the budget to the Secretary of the Army (SA) for approval. The ABE is provided to both OSD and OMB in late September. In October, both agencies review the submission and insure that only necessary resources are requested for approved programs. The results of the OSD and OMB review are the Decision Package Sets (DPS) which constitute preliminary budget decisions either approving or revising specific Army programs. In December, the CSA and SA meet with the SECDEF to identify for reclama those DPS decisions which adversely impact upon Army programs. Finally, in January, the OMB issues any revised DPS's and the approved budget as a portion of the President's budget and the OSD updates the FYDP. [9;2-53] (See exhibit 8) In retrospect, the POM is the seed which grows into the ABE. The budget cycle is nothing more than the costing of the POM. At the micro level, to be covered in detail in subsequent sections, the Command Operating Budget (COB) is prepared by installations and submitted to HQDA in support of the ABE.

In May, the Army Staff initiates the budget execution phase by issuing the Modified President's Budget Guidance (PBG) which serves as the basis for commands to develop their revised COB's. The revised COB's are submitted for review, analysis, and approval. The Army Staff subsequently prepares apportionment requests to OMB. In October, each



SEQUENCING OF PRINCIPLE BUDGETING
PHASE EVENTS WITHIN THE PPBS CYCLE
Exhibit 8 [38; 2-47]

command is alerted as to their approved operating levels by means of the FAD and the October PBG for the new budget year. Six months later, the Budget Execution Review (BER) is submitted by the commands to indicate actual performance and spending levels and to request revisions to the approved operating budgets. The final action of the budget execution involves the Prior Year Report which provides the historical base for future year budget projections. [11;4-1]

The comptroller offices perform specific functions throughout this process. The comptroller directs and coordinates the formulation of the program and budget, and supervises the execution of both. In particular, comptrollers at all levels of command must ensure that command program and budget processes are effective. They review and evaluate program and budget guidance, prepare and send the same to lower commands, prepare approved operating programs and budgets, develop the plan for budget execution, and provide aid in all aspects of the program and budget system.

[1;4] To this end, the comptroller's staff must be capable of conducting comprehensive program analysis, of developing program and budget estimates, and of developing workload and cost factors for use in both programming and budgeting of appropriated as well as nonappropriated funding requirements. The staff must be capable of conducting thorough analysis and presenting the alternatives to the decision maker.

2. Activity Budgeting

The budget development effort begins at the activity level. Indeed, the activity is the lowest level where significant decisions regarding resource consumption are made. Such budgets are developed in detail and submitted to the appropriate Major Activity Director (MAD). [10;10-1]

The Army Fiscal Code provides a uniform listing of all activities within the Army which serves to identify each activity with a specific code. The code provides a framework and audit trail for use at any level of command in examining or analyzing financial requests or actions at a given activity.

The activity chief must delineate the level of budget information to be submitted. Subactivities may or may not be required to submit separate budgets to the director. When all is said and done, there must be an individual knowledgeable in both the formulation and execution of the budget. Without an individual capable of projecting the needs of a subactivity and controlling the use of funds, the budget process is best performed at the activity level.

[10;2-22] The functions of the activity chief in regards to the budget process include the preparation of dollar guidance, manpower guidance as reflected in the Manpower Voucher issued through the installation, workload guidance, administrative guidance, the establishment of unfinancial requirements, and the preparation of the Impact Statement

and Decrement List. The activity chief must complete and forward to the Major Activity Director (MAD) the Activity Budget Schedule, the list of unfinanced requirements, the Decrement List, and the schedule of contracts. [10;3-63] Throughout this process, division and installation comptroller offices must be prepared to offer assistance and insure compliance with budget guidance.

The two methods employed in preparing the activity budget include the forecasting of future needs based upon the current rate and zero base budgeting (ZBB), sometimes referred to as total requirements budgeting. More often than not, the historical approach is utilized in budget preparation at the activity level, despite the directed implementation of ZBB within DOD for the fiscal year 1979 budget. [10;8-9] At any rate, the activity budget expresses missions and programs in financial terms and is used for both administration and management purposes. The activity budget includes all anticipated expenses of the activity and its subactivities for the budget year. The level of funding may be more or less than that called for in the BMG. If the requirement is less than the BMG, the activity chief must notify the MAD so that he may redistribute the excess. If the total is greater than that indicated in the BMG, the activity chief must prepare the Unfinanced Requirements Schedule and Prioritized Statement of Impact. The activity director must further prepare the Decrement list which

is a prioritized ranking with the least needed financed items appearing first. [10;2-35] The Unfinanced Requirements Schedule dictates those portions of the total activity requirements which could not be funded and are placed on a schedule of priority in the event that additional funds become available. The Statements of Impact describe the relationship of items to ultimate activity mission accomplishment in anticipation of obtaining funds or avoiding funding cuts. Installation financial managers rely upon the Statements of Impact in determining which activities will receive or forfeit funds given funds variations.

[10;3-42]

The phasing of financial requirements at the activity level is the process by which the activity chief must decide the proportion of total requirements to be spent each quarter once the budget amount and composition has been finalized. The phasing assists the HQDA comptroller staff in the preparation of the annual Apportionment Request where needs are again broken down given quarterly requirements. Funds are ultimately apportioned by OMB. Installations and eventually activities receive funds on a quarterly basis with which to meet obligations. By law, these quarterly limitations may not be exceeded. [10;3-57]

3. Major Activity Budgeting

The total activity budget is submitted to the MAD who in turn summarizes the activity budgets into an aggregate Major Activity Budget. The MAD has responsibility for

assisting the installation comptroller in the development of both equitable and effective distributions of the resources allocated through the Budget and Manpower Guidance. As indicated, the MAD must prepare the Major Activity Budget and assist the comptroller and Chief of Staff in the development of a well balanced COB. By and large, the major activity level serves as an interface between the activity and installation level budgeting. [10;10-1]

4. Installation Budgeting

The installation budget is an expression of the installation's missions, programs, and forecasted activities in term of available resources. The DA POM is published in response to the DOD Program Decision Memorandum (PDM) which details specific program guidelines. DA in turn transmits the amended POM and guidance to the MACOM's on Program and Budget Guidance (PBG) documents. A separate and distinct PBG is prepared for each MACOM and provides overall guidance for the preparation of the COB. COB formulation instructions are generally provided simultaneously to both the MACOM and its installations. The PBG contains those missions and priorities assigned to each MACOM, the dollar amounts being made available to each command under the various appropriations, manpower guidance, and workload data. The dollar guidance is broken down by appropriation with the largest portion being allocated to OMA, followed by Reserve and National Guard and the Family Housing Management Account. [10;2-6]

As detailed in exhibit 9, the MACOM's receive the PBG and prepare the BMG for issuance to the installations. The installation comptrollers distribute the BMG to the various MAD's and develop a timed sequence to insure completion of the COB. The installation comptroller staff evaluates the MAD recommendations for required adjustment to the BMG and develops revised dollar and manpower targets. The comptroller staff prepares drafts of the installation BMG. The Program Budget Advisory Committee (PBAC) resolves any disagreements and presents the installation BMG to the installation commander. The commander either approves or directs changes, after which the comptroller publishes and distributes the guidance to the MAD's.

The MAD's in turn redistribute the guidance to activity level. Following the activity budget process and submission of the major activity COB's, the comptroller reviews the summary schedules and unfinanced requirements and prepares the draft installation COB for PBAC review and approval. Again, the PBAC reviews the proposed COB, recommends changes or approves, and prioritizes the installation unfinanced requirements and decrement list. The installation commander subsequently approves the COB and forwards the document to the MACOM for submission to HQDA. [10;3-38]

The installation COB is the commander's vehicle to express financial management needs for the installation's operation for two years. The document includes the budget

A PROCESS OF DEVELOPING THE INSTALLATION
COMMAND OPERATING BUDGET

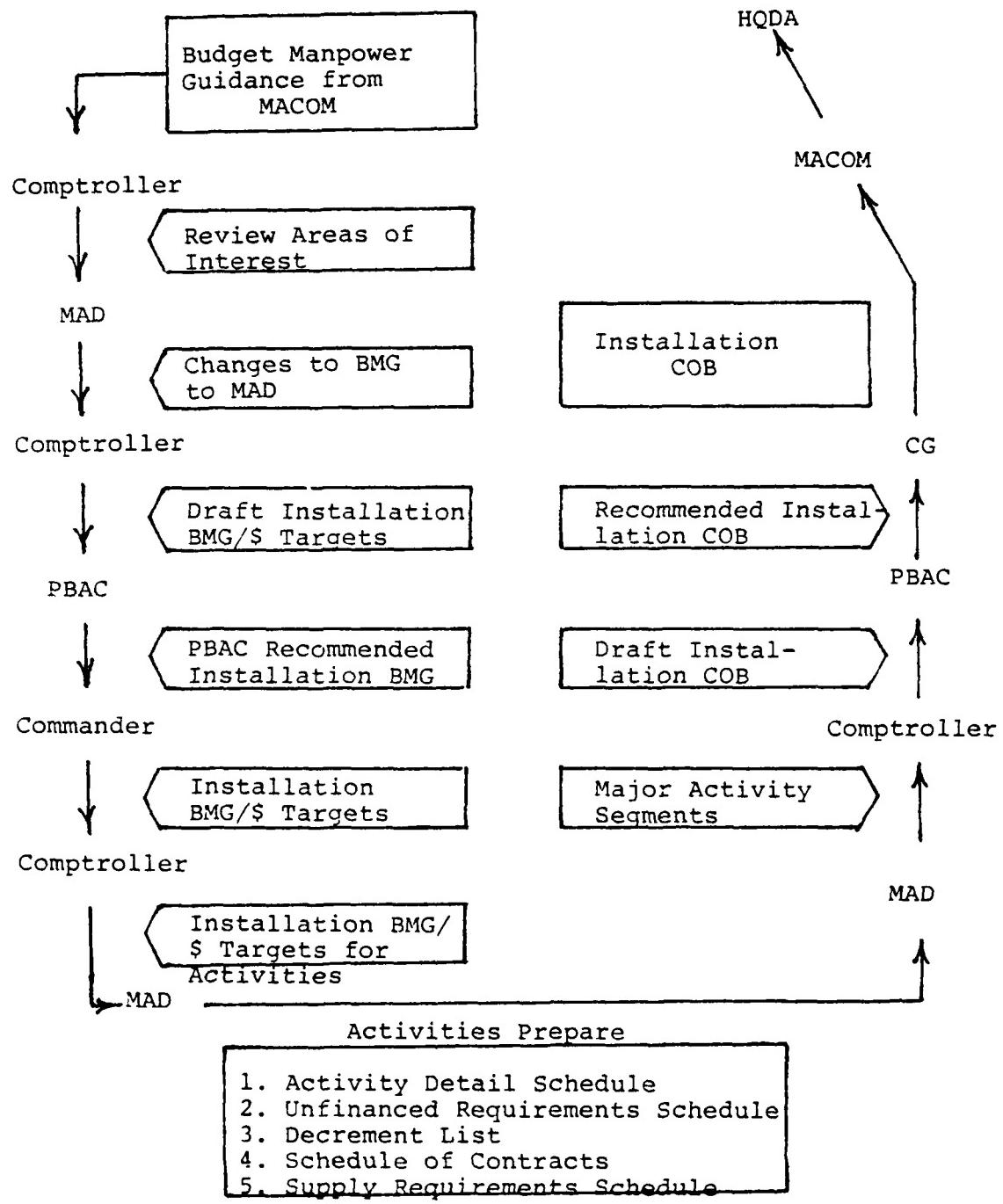


Exhibit 9 [10;3-28]

requirements for the budget year and the program year. Once consolidated at HQDA, it is used to justify DA Apportionment Requests submitted to OMB. The requested amount may or may not be received. [10;10-2] The installation Approved Operating Budget (AOB) and FAD is finally received on or about 1 October of each year.

The comptroller office performs several major functions in the installation budgeting process. As indicated, the comptroller must review the submission of the MAD operating budgets for both accuracy and compliance and examine reimbursement programs, both funded and automatic, in regards to the feasibility and level of support satisfaction. The comptroller must further effect coordination with the Mad's prior to the PBAC in order to achieve a better balance of funding within the installation, and should at all times remain unbiased and people oriented. Coordination prior to the PBAC is generally accomplished by the Junior PBAC which is comprised of the major activity budget analysts and chaired by the comptroller's budget officer. The comptroller further drafts the recommended COB and presents the same to the PBAC for review and analysis. Finally, the comptroller must prepare and present the final draft of the COB to the commander for approval and highlight those portions of the budget requiring support of the installation commander before the MACOM commander. [10;12-2]

Comptrollers must clearly fix responsibility within their staffs and assign budget analysts to each program.

They conduct the working PBAC each month, keep higher commanders informed, formulate financial policy, conduct internal review, provide management analysis for the command, develop budgetary statistical reporting procedures, develop financial control systems, apply ADP applications to the budget procedure, provide non-apporiated fund services, and certify financial reports. [10;11-26] The comptroller, and to a greater degree the staff, has a monumental task to perform in the installation budget process.

Financial management at year end is an additional requirement to insure the closing of overexpenditure loopholes. The comptroller should consider an intensified management effort early in the third quarter, publish a year end close out standard operating procedure (SOP), serve as the focal point for financial decision making, insure budgetary and accounting close out procedures are compatible by using STANFINS as a base, approve the final cut off level and closing of books, and never let go of unobligated balances until close out if effected. [10;11-40]

5. Major Army Command Budgeting

The MACOM is a distributor of funds. The MACOM comptroller is the organizational interface between the installation and HQDA in the programming and budgeting process. The MACOM prepares the input to the programming process by means of the Program Analysis Response Review (PARR) and the Program and Budget Estimate (PABE). The PABE presents

indepth analysis, recommendations for change, new directives, and detailed costing. By means of the PARR and PABE, MACOM's have a direct input into the decisions regarding resource allocation between subordinate installations and reinforce effective analysis and management at HQDA. [10;14-2] MACOM's monitor, analyze, and combine the budget formulation and execution of subordinate installations.

The programming function at MACOM level is so large in scope that an organizational element under the operational control of the MACOM comptroller has been designated to monitor the programming process. The office performs various program reviews and analysis pertaining to any matters relating to resource allocation. The budgeting requirements of the MACOM, as they again apply to the comptroller, include the coordination and updating of installation budgets, the maintenance of close relationships with subordinate installations, the analysis of proposed installation resource needs, the preparation of the MACOM COB, and the recommendation of resource allocation adjustments based upon installation actual performance. [10;14-3]

6. Research, Development, Test, and Evaluation Budgeting

The RDTE program is organized into the categories of research, exploratory development, advanced development, engineering development, management and support, and operational system development. Program guidance to Army agencies for RDTE covers a five year period. The Deputy Chief of Staff

for Logistics (DCSLOG) is responsible for the planning related to research and development and the formulation and justification of logistics related OMA and stock fund portions of the Army program and budget related to approved equipment improvement studies.

The COA and subordinate offices are directly involved in the cost analysis of RDTE projects. The office reviews life cycle cost estimates and schedules and coordinates cost estimates for all major weapons systems. Ultimately, the COA presents the Army costing recommendations to the Army Systems Acquisition Review Council (ASARC). In regards to budgeting, the COA insures that sufficient funds are both planned and programmed to allow for the adequate conduct of a given developmental effort. [5;2-8]

7. Operations and Maintenance, Army Reserve Budgeting

As of fiscal year 1974, the U.S. Army Forces Command (FORSCOM) has been given responsibility for the management of the OMAR appropriation. After the Major U.S. Army Reserve Commands (MUSARC) complete their respective budget formulations, given HQDA guidance and the FORSCOM Automated Program and Budgeting System (FAPABS), the budgets are submitted to a continental Army Command (MACOM) for analysis and approval. Given approval, the operating budgets are forwarded for inclusion in the appropriate installation budget recommendation. Given the HQDA approval and ultimate Congressional appropriation, HQDA allocates the AOB to FORSCOM who in turn

allocates the OMAR funding to installations with the FAD. Given quarterly controls, the installation comptroller provides expense targets to the MUSARC. In turn the MUSARC is responsible for the establishment and maintenance of an effective fund control system. [10;17-6]

The annual training host installation is required to provide program, budget, and base support functions for any U.S. Army Reserve unit. The host installation bills the appropriate MUSARC for any mission supplies and services provided. All site support for U.S. Army Reserve training which is programmed, budgeted, and funded by the host installation is charged against the OMAR appropriation. [10;17-8]

An effective OMAR appropriation program depends upon the coordination between the MUSARC, installation, and the MACOM. The OMAR appropriation hinges upon the best possible financial management of available resources, the obligation of funds in accordance with HQDA guidance, and programming designed to make maximum use of available funds prior to the year end close out. [10;17-9]

8. MCA Budgeting

The Military Construction Army (MCA) appropriation provides for the acquisition or construction of permanent or temporary public works for Army installations. Authorized legislation is required. The MCA appropriation includes funding for the planning, acquisition of minor real estate, and construction.

The budgeting for the MCA appropriation begins at the installation where the commander, in conjunction with the Installation Planning Board, develops a master plan reflecting required facilities and projected needs. The master plan is submitted to HQDA for approval. The installation subsequently sets the Intermediate Range Construction Program (ICR) criteria, to which the supporting Engineer District attaches budget estimates. Thereafter, the installation provides both Short and Long Range Construction Programs in addition to the ICR. The programs are forwarded through the MACOM to DA to Congress for ultimate apportionment by DOD. Funds are made available to the Engineer District for construction. Throughout the process, the comptroller is concerned with the programming of proposed projects and securing the MCA appropriation funding.

[7;2-1]

D. MANAGEMENT TOOLS USED BY THE COMPTROLLER

1. Economic Analysis

The process of economic analysis is the framework within which the comptroller and his staff investigate problems of how to employ scarce resources. The process includes the determination of mission related objectives, identification of constraints and assumptions, the selection of alternatives, an output analysis for feasible alternatives, the costing of feasible alternatives, and the ranking of alternatives in order of their economic performance.

The analysis often contains an assessment of risk, capital budgeting, and investment analysis. [2;2-1] In addition, the cost estimation relationship, whereby dollar value requirements are forecasted for a given workload, has proven to be a valuable budget tool. [10;15-4]

Comptrollers perform cost and economic analysis to insure independent program and budgetary proposals and sound management decisions. Comptrollers are often called upon to insure that all potential applications of economic analysis within a command are examined. The comptroller conducts economic analysis to determine the resource implications of any undertaking, issues guidance to insure uniformity of cost estimate preparation, integrates cost and economic analysis applications within the command, assures that economic analysis is an integral portion of program justification, and promotes the use of operations research techniques within the command. [1;6]

2. Management Analysis

Management analysis, as a financial management tool, has been dependent upon meaningful annual programs, wherein commanders and staff are asked each quarter for input for areas to be examined. Only in this manner can the comptrollers set objectives for their analysts and insure their productiveness. The analysts strive to examine those facets of the organization not normally seen by the commander, compare their findings against established standards, and allow for management by exception. [10;11-26]

The comptroller, regardless of level, develops procedures to perform the management analysis within the command, examines the current management policies to rectify any deficiencies, conducts research to develop new management techniques, and provides advice to the commander and his staff on organizational management. In addition, the comptroller coordinates programs such as productivity measurement, value engineering, methods and standards, and cost savings studies.

3. Internal Review

In 1974, the AAA relocated from the Office of the Comptroller to the Office of the Army Inspector General. The AAA has since relocated again to report concurrently to the SA and the CSA in order to gain a higher degree of independence. Currently, however, the AAA is swamped, with little or no follow-up capability. The agency can only evaluate written statements and must rely upon other organizations to perform badly needed follow-up cross checking. The comptroller's internal review staff can and has provided valuable service in this endeavor. [13;10]

Internal review personnel provide review and analysis to aid in the timely identification of problem areas, review command replies to AAA and GAO reports, perform internal review as requested, and coordinate with the Inspector General in matters related to financial management. [10;14-4] The comptroller must supervise internal review personnel to

insure they stay on schedule, maintain liaison with external audit agencies, evaluate adequacy of corrective action taken to external audit findings, and provide the commander with objective and independent evaluations of operations.

[1;7]

4. Budget Review and Analysis

Review and analysis is a process whereby the comptroller can compare actual data with programmed data for the same period. Indicators serve to isolate areas of excessive over or under spending. At the installation level, it is common for a variance of $\pm 5\%$ to be significant, requiring explanation in detail. [10;13-14] The goal of review and analysis is the efficient and effective use of resources. Excess funds need to be identified as early as possible for possible reprogramming. The benefit of effective review and analysis can be timely corrective action, and is the key to the execution of the Army budget system.

Two tools of review and analysis used heavily by the comptroller are regression analysis and Quantitative Budget Analysis (QBA). QBA is a systematic approach to improving the justification of budget estimates submitted to OSD for approval. QBA implies the zero base approach and requires the continual improvement of performance factors. Keys to QBA are meaningful budget performance factors for all OMA appropriations, accurate budget rates, a working knowledge of statistics, and a familiarity with curvilinear regression to account for multiple performance factors combining

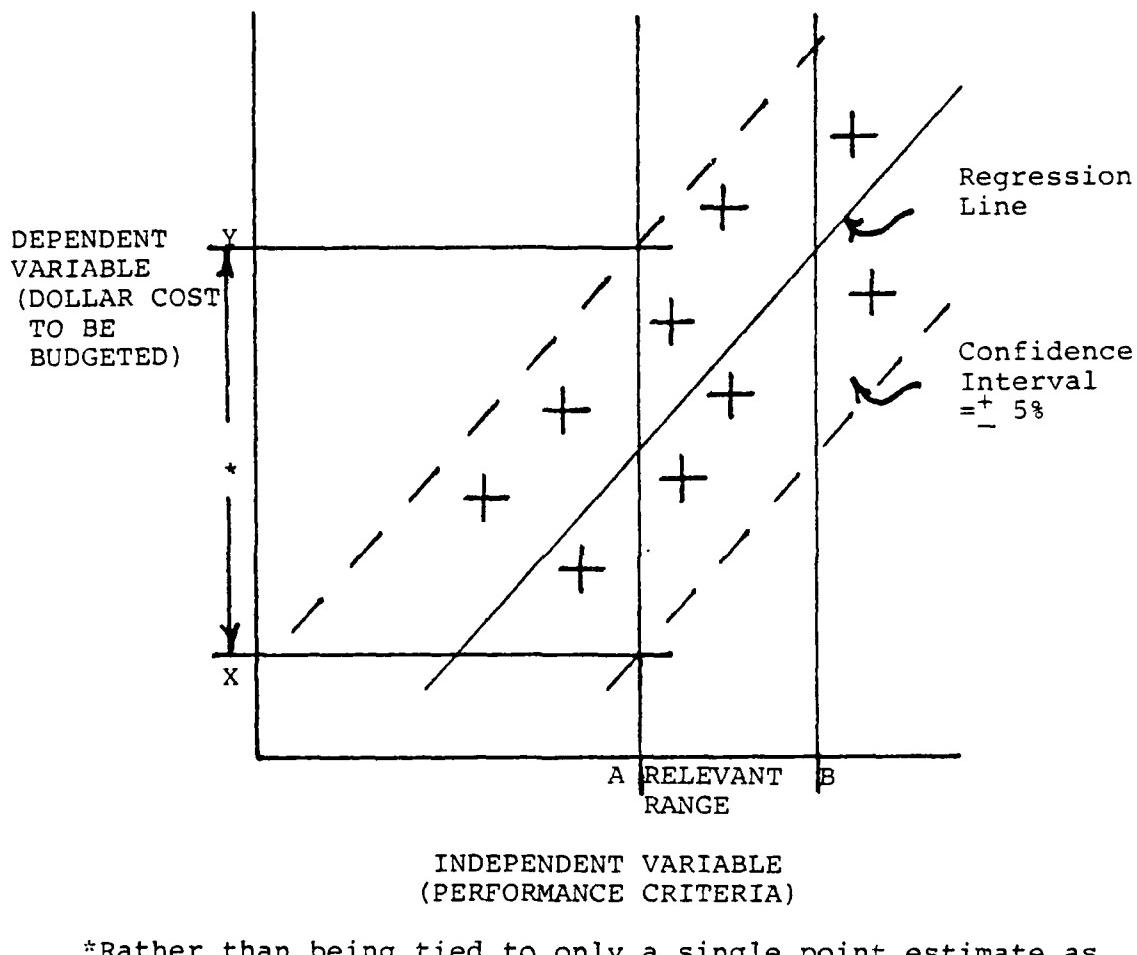
to affect total cost. Regression analysis is used to examine the reasonableness of budget requests submitted from lower operating agencies. Advanced statistical methods have been led to the determination of confidence intervals around the regression line. The budget analyst can now evaluate budget requests given different degrees of confidence intervals for various funding levels. [10;15-10] (See exhibit 10)

The installation and activity comptrollers are charged with the maintenance of the review and analysis program. Specifically, the comptroller must plan to accomplish the analysis of the COB, review and appraise performance and progress against assigned missions, present timely and meaningful analyses to the commander, and exercise staff supervision over the review and analysis activities of subordinate commands. [1;8]

E. CLOSING COMMENTS

Army Officers in assuming their first position as a financial manager, could find themselves in any of a myriad of job descriptions. Regardless of the level of command for which a comptroller office must exercise its staff responsibility, up-and-coming financial managers may find themselves buried in the complexities of budgeting, internal review, cost estimation, management analysis, review and analysis of budgetary decisions, or finance and accounting. This chapter has served to highlight those intricacies and functions inherent with each responsibility at the various command levels.

REGRESSION ANALYSIS AND ADVANCED STATISTICAL METHODS



*Rather than being tied to only a single point estimate as in budget development, this technique allows the budget analyst to determine the degrees of confidence that a budget decision should fall between two dollar figures. In this case, the analyst is 90% confident that the costs of criteria (A) will fall between X and Y.

Exhibit 10

In addition, the analysis of the Army financial management system has indicated those personal attributes and technical skills, which when combined, seem to spell success. The young comptroller must possess a working knowledge of statistical sampling techniques, regression analysis, variance analysis, basic operations research methodology, and computer assistance applications. The financial manager must be well versed in economic analysis, budget analysis, and management analysis techniques.

Undeniably, it would indeed be an awesome task to systematically and thoroughly prepare oneself for the complexity of the comptroller's world. Given all the preparation possible, however, one could never hope for success in the financial management field without those personal qualities relating to leadership, charisma, and ethical conduct. The authors deem it necessary to underscore this point. Such personal attributes can not be taught in the classroom, and as has been frequently alluded to in this chapter, these are often the necessary ingredients for the functioning of a comptroller activity. One must be able to influence people. A lack of such an ability, in addition to those shortcomings and weaknesses analyzed in the upcoming chapter, will most assuredly frustrate the conscientious comptroller.

III. PRESENTATION OF RESEARCH DATA AND CONCLUSIONS

A. INTRODUCTION

In order to obtain data to determine if any weaknesses in financial management skills exist among members of the Army comptrollership community, the authors conducted a survey of comptroller personnel and a study of audit reports on comptroller activities made by the Army Audit Agency (AAA). The authors determined that in order for the survey to provide useful and relevant data, it must provide answers for two questions. First, is there a need for improvement in the technical and managerial skills of members of the Army comptrollership community? Second, if such a need exists, in what areas are there room for improvement? The authors then organized the survey and methods of analyzing the results of both the survey and AAA reports in a manner designed to facilitate the answering of the above two questions.

Chapter III presents the data obtained by the authors' analysis of the two data collection efforts. Section B details the data obtained from the survey results. Section C is a presentation of data obtained from a study of the AAA reports. The chapter then focuses, in Section D, on a comparison of the results of the survey and AAA reports and draws conclusions within Section E.

B. DATA OBTAINED FROM SURVEY QUESTIONNAIRE

1. The Nature of the Survey

The authors prepared the survey with two main questions in mind; one relating to the overall need for improvement in comptroller skills and the other relating to the specific areas within which the need for improvement might exist. Additional data was requested from the respondents, which the authors determined would support the validity of the data directed at providing answers to the two main questions. With this direction in mind, the authors first requested information relating to the respondents' job positions. Specifically, what was their rank and organization? What were the respondents' job positions and how long had they been occupied? Questions determining the level of education of the respondents and the degree of preparation for duties performed were then asked. The authors then asked questions developed to determine the level of confidence in personal ability that the respondents possessed upon assuming comptroller duties. If the respondents indicated a lack of confidence, they were asked why they felt apprehensive about assuming their duties and in what areas they felt that they could have been better prepared to assume their duties.

The survey was sent to both comptroller supervisors and subordinates. The subordinates were asked questions in all of the categories discussed above. The supervisors were asked to comment only on what areas, if any, could their subordinates have been better prepared to handle, and what

subject material should be stressed in a course preparing Army financial managers for their first comptrollership related assignment. The authors insured the respondents privacy and freedom of response by providing an individual self addressed envelope with each questionnaire. Therefore, the superiors would not be able to see their subordinates' responses. See Appendix A - Financial Management Questionnaire for the detailed survey form utilized.

2. Major Assumptions Relating to the Survey Questionnaire

Before the authors identified the target population for their survey, they made several assumptions regarding assignments of comptroller personnel after postgraduate schooling. These assumptions were based upon information provided by assignment officers at the U.S. Army Military Personnel Center (MILPERCEN) and existing Army policy at the time the survey questionnaire was prepared. First, the authors assumed that job positions programed to be filled by Academic Education Review Board (AERB) funded officer students would be filled before any other job positions. This assumption is relevant because all officers attending advanced civil schooling under the Fully Funded Program are funded through the AERB, except those officers who will be instructors at West Point after graduation from advanced civil schooling. Therefore, all non-West Point bound officers should be sent to AERB identified job positions. Comptroller job positions exist which are not identified by the AERB as requiring a fully funded masters program

graduate to fill the position. However, it is the policy of the Army to fill these positions after the AERB positions have been filled with officers from the Fully Funded Program.

Second, the authors assumed that masters program graduates in financial management would not be sent to senior Army service schools such as the Command and General Staff School (C&GS), or the U.S. Army War College (USAWC) for their first comptrollership assignment because of the Army's long standing policy not to assign an officer to a senior service school cadre until the officer has attended that school. Relative to the above assumption, the authors' third assumption was that comptrollers would not be sent to Headquarters, Department of the Army (HQDA) for a first assignment, because the Army normally assigns only those officers who have graduated from C&GS School to HQDA. [40] Very few officers who are in advanced civil schooling have attended C&GS School.

The authors' fourth assumption was that comptrollers most likely would be sent to a Major Command (MACOM) Headquarters for their first assignment, for the reason that most positions for junior officers are located at these Headquarters and most installation level comptroller offices are staffed by a senior field grade officer and civilians. Many positions for junior officers exist outside of the

MACOMs. However, the largest concentration of junior officer comptrollers will be found in these headquarters.

Finally, the authors assumed that most job positions would be located in the continental United States or at 7th Army headquarters in Germany (USAREUR). This assumption is based upon the authors' perception that the Army generally does not assign officers overseas for their first alternate specialty assignment. This perception was reinforced informally by MILPERCEN officials and by the author's examination of the AERB assignment LIST. [40] However, the authors excepted USAREUR from this assumption because of the large concentration of troops in Europe and the large staffs that are also present.

3. The Sample

With the above assumptions in mind, the authors examined a list of AERB identified comptroller job positions and locations, which was provided by MILPERCEN. After applying all of the assumptions, the authors identified 65 of the listed commands as their target population. The 65 commands included MACOM Headquarters and subordinate commands. The MACOM's and their respective subordinate commands as a percentage of the total population is reflected in the graph on the following page.

TYPE OF MACOM'S AS A PERCENTAGE OF THE
TOTAL SURVEY POPULATION

* Readiness Command
Recruiting Command
Combat Developments
Command
Health Services
Command
Communications Command

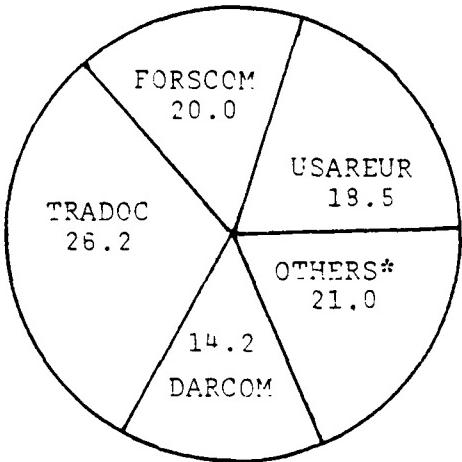


Exhibit 11

After scrutinizing the target population, the authors identified 49 of those commands as being likely to have a junior level comptroller position. These 49 commands became the author's sample. The MACOM's and their subordinate commands are reflected in exhibit 12 as a percentage of the sample.

TYPE OF MACOM'S AS A PERCENTAGE OF THE
THE SAMPLE

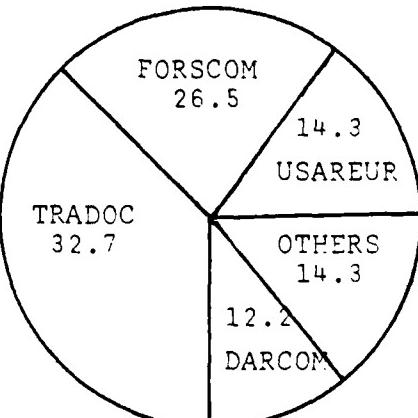


Exhibit 12

Again, the discrepancies between the MACOM percentages to the total population and the sample reflect the authors' perception of which commands were likely to have a junior level comptroller position based upon the earlier mentioned assumptions.

After identifying the 49 commands in the sample, the authors determined the number of questionnaires that would be sent to each command. In all cases, a questionnaire was sent to the senior comptroller in the command. In the case of individual installations, two additional questionnaires were sent with the senior comptroller's questionnaire. Based on a phone conversation with MILPERCEN, the authors felt that many installation comptroller offices employed at least one additional officer who was not reflected on the MILPERCEN provided list. MACOM headquarters were sent from 10 to 15 additional questionnaires, based upon the authors' examination of positions identified in the AERB list and MACOM manning charts. Corps Headquarters received 5 additional questionnaires. In all, 215 questionnaires were sent to the 49 commands. The authors requested that the respondents complete and return the questionnaires in one month. At the time of writing this thesis, the authors had received replies from 43 commands, and 143 individual respondents had returned questionnaires. The chart on the following page reflects the percentages of responses from installations and individual respondents from each MACOM installation.

PERCENTAGES OF QUESTIONNAIRE RESPONSES

| MACOM (Headquarters & Installation) | Respondent (Installation) | Respondent (Individual) |
|------------------------------------------|------------------------------|----------------------------|
| USAREUR | 86% | 14% |
| FORSCOM | 85% | 29% |
| TRADOC | 94% | 27% |
| DARCOM | 80% | 11% |
| OTHERS | 87% | 19% |
| Responding Percentage of Total Sample | 88% | 67% |

Exhibit 13

4. Questionnaire Results

The authors first examined the returned questionnaires in order to insure that the individual respondent was a part of the authors' desired sample. This was the case in all instances. The authors next established the degree of need for improvement in administrative and technical skills in the comptroller community. The questions and percentage of responses are reflected below.

ADMINISTRATIVE AND TECHNICAL SKILL RESPONSES

| Highest Educational Degree and Major? | Masters | Bachelors | Other |
|-----------------------------------------------------------------------------------------------------------|-------------|--------------------------|------------|
| | 84.1 | 13.2 | 2.7 |
| Did you feel confident about your abilities to correctly perform your duties upon assuming them? | Yes 66.1 | With Reservations 5.1 | No 28.8 |

Exhibit 14

For the purposes of this thesis, the total sample was used as a basis for response for the second question. The authors felt, however, that they should calculate the same percentages of respondents with a masters degree. An analysis of answers to the same question from respondents with masters degrees shows that 54.1% felt that they were confident, 6.1% were confident with reservations, and 39.8% were not confident. The authors felt that the disparity of responses between the total population and the population with masters degrees was important, as the research effort was directed at junior level comptrollers, who according to MILPERCEN, were more likely to have masters degrees. One question designed to determine the level of need for improvement dealt with the individual respondents' degree of preparation for their duties. The question (number 7) and responses are reproduced below.

DEGREE OF PREPARATION RESPONSES

| | <u>Was Adequately Prepared</u> | <u>Could Have Been Better Prepared</u> | <u>Needed Only Experience</u> |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------|-------------------------------|
| Please explain how you could have been better prepared for your duties, if you feel that you could have been better prepared. | 14.2 | 76.5 | 9.3 |

Exhibit 15

The final question on the survey (number 8) was reserved for senior comptrollers only. This question dealt with their perception of the degree of preparation that their subordinates possessed upon first assuming their duties. The authors invited the seniors' comments on which specific areas they felt were weak, and which areas should be stressed in training junior comptrollers for their duties. This question, with its responses regarding subordinates' preparation for duties, is reflected below. The authors did

SUBORDINATE PREPARATION RESPONSES

| | <u>Was Adequately Prepared</u> | <u>Could Have Been Better Prepared</u> | <u>Needed Only Experience</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------|---------------------------------------|
| Are there any technical areas involving army comptrollership that you feel your military subordinates could have been better prepared to handle? | 14.2 | 76.5 | 9.3 |

Exhibit 16

not consider lack of experience to be indicative of poor preparation for duties. However, they did feel that it was significant response.

In order to determine exactly how the respondents felt they could have been better prepared for their duties, the authors needed to develop a criteria for evaluating the respondents' answers to questions 7 and 8 on the survey. The authors determined that, in order to rank specific

subject areas in the degree of respondents' unpreparedness and the need for preparedness in the subject areas, they would measure the frequency of mention of the subject in the respondents' answers. All subject areas mentioned would be given equal relative weights, and the degree of need for improvement would be measured by the percentage of the respondents who mentioned the specific area in their answers to questions 7 and 8. The authors also decided that it was important to determine whether or not senior and subordinate comptrollers agreed on which subject areas were identified as being weak.

After a superficial examination of the answers to questions 7 and 8, the authors determined that the respondents' interests lay in eight major subject areas. Other topics that are grouped under a "miscellaneous" category are addressed later in this chapter. The major areas and their respective frequencies of mention by both the seniors and subordinates are shown in exhibit 17.

As is shown in exhibit 17, a significant number of seniors and subordinates made comments about subject areas which the authors could classify only as "miscellaneous", yet which warrant mention. "Common sense" was an area mentioned by two senior comptrollers as being absent among subordinates. No subordinates mentioned this subject area. Another senior stated that "listening, talking, and writing" are weak subject areas, and several subordinates agreed that

FREQUENCY OF MENTION

| | 100% Comptroller | 0% Subordinate | 100% |
|---------------------------------|------------------|----------------|------|
| PPBS | 37.5 | | 39.3 |
| Cost Analysis | 2.5 | | 2.1 |
| Internal Review | 12.5 | | 2.1 |
| Review and Analysis | 12.5 | | 2.1 |
| Finance and Accounting Systems | 28.0 | | 38.3 |
| Management Practices | 35.0 | | 33.0 |
| Staff Procedures | 2.5 | | 3.2 |
| Leadership, Personnel Relations | 10.0 | | 0.0 |
| Miscellaneous | 12.5 | | 12.6 |

Exhibit 17

writing skills, or lack thereof, was a problem. Still another senior mentioned that "ethics" needed to be strengthened. Other subject areas ranged from the organization of the Army to Army administration procedures to cost benefit analysis.

Several subject areas which the authors categorized under "Finance and Accounting" and "Management Practices" deserve special attention. 25% of all who mentioned finance and accounting systems as needing improvement stated that a lack of familiarity with the Standard Finance System (STANFINS) and the Standard Army Intermediate Level Supply System (SAILS) was prevalent. Three senior comptrollers

were emphatic on this point. Of those who stated that management practices needed improvement, nearly 60% felt that manpower planning was a predominant part of comptrol-lership and resource management, and also a predominant weakness.

In a final effort to determine exactly what the survey questionnaire respondents felt were the subject areas most needing improvement, the authors identified the job positions that the respondents held. The number of respondents and their job positions are shown in exhibit 18. The authors, having already identified the subject areas that senior comptrollers felt were important, grouped the subordinates into individual job position categories and identified the subject areas that each category felt were important. These nine job positions and the frequency of mention of subject areas within the individual categories of respondents are reflected in exhibit 19.

In order to gain an independent view of the nature of the comptroller community, the authors studied audits conducted in comptroller activities by the AAA. Section C of this chapter details the information disclosed by these audit reports.

JOB POSITIONS OF RESPONDENTS

| JOB POSITION | NUMBER OF RESPONDENTS |
|-------------------------|-----------------------|
| COMPTROLLER | 44 |
| SUBORDINATE | 99 |
| 1. Programming Analysis | 13 |
| 2. Internal Review | 4 |
| 3. Cost Analysis | 3 |
| 4. Budget Officer | 32 |
| 5. Others: | 47 |
| Deputy Comptroller | 5 |
| Instructor | 9 |
| Manpower & Mgmt. | 8 |
| Accountant | 10 |
| Special Staff Officer | 5 |
| Action Officer | 1 |
| Finance Officer | 7 |
| Intern | 1 |
| Procurement Officer | 1 |

EXHIBIT 18

COMPARISON OF RESPONDENT JOB POSITIONS AND CORRESPONDING
SUBJECT AREAS IDENTIFIED AS BEING IN NEED OF IMPROVEMENT

| JOB POSITION | SUBJECT AREAS MOST NEEDING IMPROVEMENT IN ORDER OF IMPORTANCE |
|-----------------------|------------------------------------------------------------------------------------------------------------|
| Deputy Comptroller | Military Finance and Accounting Systems PPBS |
| Budget Officer | PPBS Military Accounting and Finance Systems Manpower Management |
| Programming/Analysis | PPBS Manpower Management Programming and Analysis |
| Internal Review | Military Accounting and Finance Systems PPBS Manpower Management |
| Cost Analysis | Manpower Management |
| Manpower & Management | Manpower Management PPBS Military Accounting and Finance Systems |
| Finance Officer | PPBS Cost Analysis Manpower Management |
| Instructor | Manpower Management PPBS Internal Review Military Accounting and Finance Systems Cost Analysis |
| Accountant | Military Accounting and Finance Systems Non Appropriated Funds Procurement Procedures |

Exhibit 19

C. PRESENTATION OF AUDIT FINDINGS

1. Nature of Audit Survey

a. Objectives and Criteria

The previous portion of this chapter was dedicated to determining whether or not current financial managers considered themselves to be adequately prepared for their duty positions, with subsequent emphasis on those specific areas deemed important enough to be included when considering the feasibility and content of a practical comptrollership course. This section will close the loop by examining in detail audit findings from the AAA, General Accounting Office (GAO), and Ernst and Ernst, an independent accounting firm. Specifically, the audit findings were reviewed to either substantiate or refute the data obtained through the questionnaire of the last section. All conclusions will be drawn in Section E.

In analyzing audit reports, the authors attempted to categorize findings within the major functional areas of responsibility of the Army financial manager. By referring to exhibit 2 in chapter II, one will recall that these areas of responsibility included budgeting, cost analysis, finance and accounting, management practices, review and analysis, and internal review.

b. Major Assumptions

In addition to those assumptions detailed in Section B of this chapter, which necessarily restricted

the sample of MACOM oriented audit reports, the authors made a further assumption. While reasonably confident that the sample approximated the population, the authors assumed that the sample is the population.

c. The Audit Sample

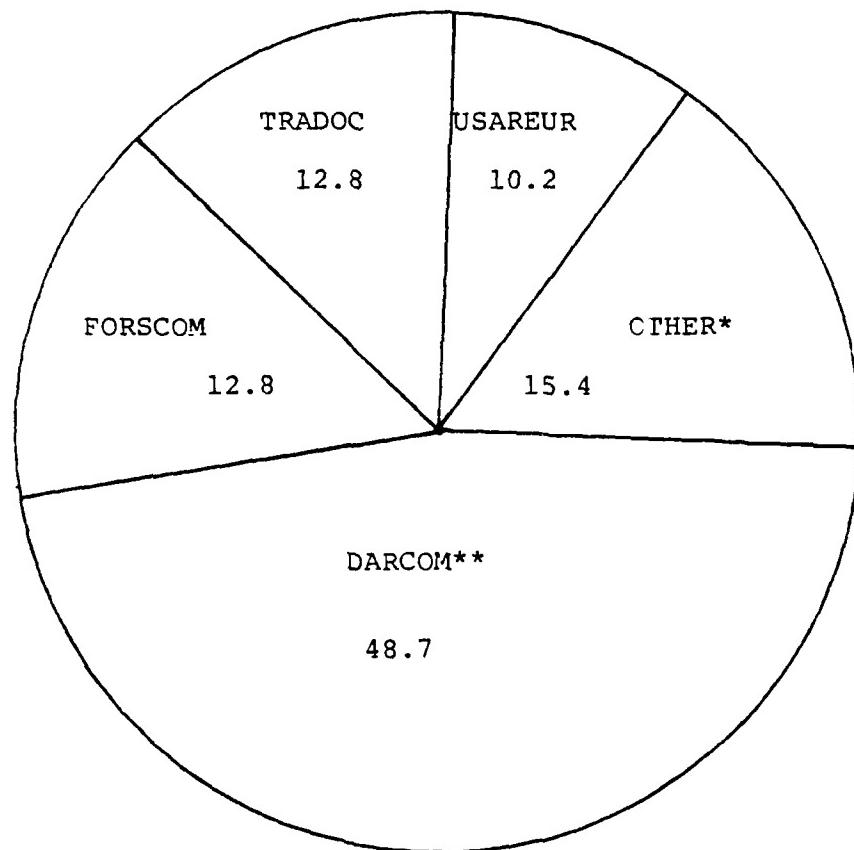
The prospective audit population included those audits performed by the AAA on any activity or command relating to or impacting upon Army financial management with the exception of the MACOM's eliminated by way of the assumptions within section A of this chapter. The sample size came to a total of thirty-nine for the five years from fiscal years (FY) 1975 through 1979 inclusive. With the assistance of the AAA and the Defense Logistics Studies Information Exchange (DLSIE), the authors determined that the sample did in fact approximate the population of germane audit reports dealing with financial management for the years under consideration and satisfied the assumptions delineated earlier in Section B.

The sample population has been broken down by major command categories in the same fashion as the questionnaires of Section B. As detailed in exhibit 20, the audit findings were representative of the major commands to which a financial manager could expect to be assigned in his first comptroller position.

To add to the AAA findings, but kept separate and distinct from compiled data, reference will additionally

be made to six GAO audit reports and one Ernst and Ernst audit report compiled for the same five year period under consideration.

PERCENTAGE OF AUDIT REPORTS PER MAJOR COMMAND



* Communications Command
Military Traffic Management Command

**DARCOM Major Subordinate Commands
Troop Support Command
Aviation Readiness Command
Armament Material Readiness Command
Tank Automotive Command

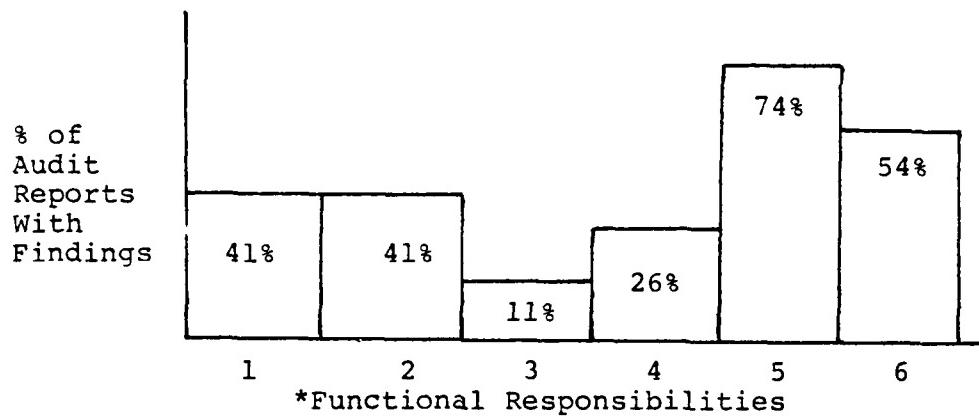
Exhibit 20

2. Audit Results

a. Overview of Findings

As detailed in exhibit 21, the audit reports contained findings representative of the six functional responsibilities determined in chapter II to be critical to the day to day accomplishment of financial management tasks. The magnitude and examples of these findings will be addressed in subsequent sections. Exhibit 22 displays the aggregate number of findings for the 39 audit reports in the respective areas of functional responsibility.

DISTRIBUTION OF AUDIT FINDINGS ACROSS AAA REPORTS



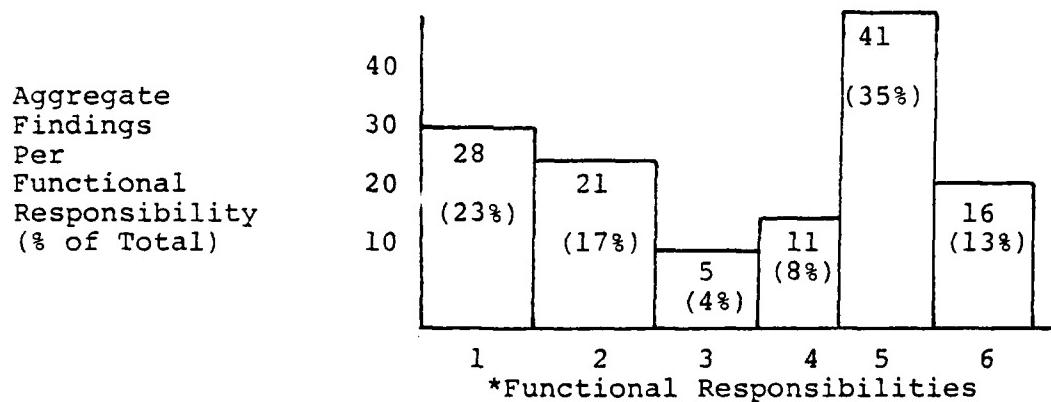
- *1 Budgeting
- 2 Cost Analysis
- 3 Internal Review
- 4 Review & Analysis
- 5 Finance and Accounting
- 6 Management Practices

Exhibit 21

Regardless of the competency of AAA personnel, management will periodically find fault with and dispute report findings. As a measure of validity, exhibit 23 displays the percentage of management concurrence for the aggregate of reports within each category.

The following seven subheadings will address each functional criteria in greater detail. Salient examples will be presented for each type of deficiency, including dollar impacts where appropriate.

TOTAL AUDIT FINDINGS



- *1 Budgeting
- 2 Cost Analysis
- 3 Internal Review
- 4 Review & Analysis
- 5 Finance and Accounting
- 6 Management Practices

Exhibit 22

b. Budgeting Findings

As portrayed in exhibit 22, the 39 audit reports contained 28 major findings relating to the budgeting process. Of the total findings, 32.2% related to the budget preparation cycle and 67.8% related to the budget execution cycle. Generally speaking, the budget preparation deficiencies were related to the use of incorrect standards, a failure to follow budget preparation guidance, and a tendency to overstate requests for obligational authority on the Command Operating Budget (COB). The budget execution deficiencies included a failure to identify unobligated balances in a timely manner to facilitate reprogramming, a tendency to overoblige, and a failure to properly execute only approved funds transfers between appropriations.

The audit in July of 1979 of the Troop Support and Aviation Readiness Command reported an existing \$18.1 million in unneeded and unsupported unobligated balances. Unknown to the command, the funds were available for reprogramming. The command concurred with the finding. [23]

In August of 1978, a similar finding was reported at the Army's Arament Material Readiness Command. In FY 1976, unobligated balances totalling 48.3 million dollars were found to be in excess of what was actually needed. Prompt reprogramming action could have permitted the funds to be used elsewhere. In addition, for FY 1978, the command was found to be in need of better forecasting and budgeting

CONCURRENCE DATA

| | TOTAL FINDINGS | CONCURRENCE | |
|----|-------------------|-------------|--------|
| *1 | 28 | 23 | 82.1% |
| 2 | 21 | 19 | 90.5% |
| 3 | 5 | 5 | 100.0% |
| 4 | 10 | 10 | 100.0% |
| 5 | 41 | 39 | 95.0% |
| 6 | 16 | 13 | 81.3% |

- *1 Budgeting
- 2 Cost Analysis
- 3 Internal Review
- 4 Review & Analysis
- 5 Finance and Accounting
- 6 Management Practices

Exhibit 23

procedures. Obligations totalling \$15.5 million were not anticipated. On both findings, the command concurred. [19]

In regards to the stock fund operations at the Communications and Electronics Command in August of 1978, incorrect standards were used in the preparation and execution of the budget. The FY 1978 request for obligational authority was overstated and the subsequent approved obligational authority was expended at a rate faster than budgeted. The years request for obligational authority was overstated by \$6.4 million. The command concurred. [20]

In June of 1979, the Aviation Research and Development Command was found to have improperly used \$885 thousand in RDT&E funding to finance operating expenses. The command should have financed the expenses with OMA funding. The command had no system to support budgeted administration costs. Both budgeted and reported costs were incorrect. The management concurred. [18]

In March of 1977, the Army's Combat Developments Experimentation Command was audited and found to have reprogrammed \$614,730 in RDT&E, or 44% of its budget, without authorization. As a result, there was no assurance that the use of funds was in agreement with budgeted expenditures. The command concurred with the finding. [29]

In December 1977, the Military Traffic Management Command was found to have budgeted its Reserve Industrial Capacity (RIC) incorrectly. AAA found the command budget for fund authorization requests to be overstated by \$338,600. The command did not concur. [31]

The June 1978 audit of the Tank Automotive Command reported the FY 1978 budget request for obligational authority to be overstated by \$8.6 million. Working capital requirements were overstated by \$10 million for fiscal year 1977. On both counts, the command concurred. [24]

Examples of budget findings in regards to either preparation or execution for the five year period in question totalled an additional nineteen. The most prominent

findings have been detailed. Such failures in the planning and execution phases of the budget will be partially responsible for RS 3679 and RS 3678 violations detailed in subsequent sections.

c. Cost Analysis Findings

The 39 audit reports contained 21 major findings relating to cost analysis pertaining to costing and pricing. At the Tobyhanna Army Depot in July of 1979, the AA isolated three discrepancies. The direct labor costs were not recorded or reported accurately. Nonproduction time was incorrectly charged as direct labor. The command concurred that \$756 thousand was charged to jobs after completion. Costs that exceeded authorized ceilings were improperly charged to other orders. Of 38 cost transfers, 13, totalling \$472 thousand, were transfers for which cost did not apply. The command again concurred. Finally, average labor and overhead rates were not representative of the true rates. The AAA determined that the command did not compute rates at the cost center level. The command did not concur. [17]

In August of 1978, the AAA reported problem areas within the costing of the Communications Command stock fund. Specifically, standard prices for most items were either inaccurate or unsupported in 49% of the cases. The overall effect was to impact not only upon budget requests for obligation authority, but upon charges made to stock fund customers. The command concurred. [20]

The audit of the Tank Automotive Command in June 1978 determined additional problems in stock fund costing. Standard prices for fiscal year 1977 were inaccurate. Thirty-five percent of 11,058 items reviewed were incorrectly priced, thus preventing the command from operating at a break even level. The command concurred. [24]

In January 1978 audit of the Armament Material Readiness Command uncovered under billing for foreign military sales (FMS). Orders were in fact billed at those prices established at the time of order receipt rather than at the inflated prices in effect at delivery. The billings for tool sets sold to non-military customers did not include the costs for assembly and military labor which resulted in undercharges amounting to \$425 thousand between February 1976 and August 1977. The OMA fund was not reimbursed \$408 thousand for costs incurred. The command agreed with the findings. [25]

In November of 1975, the Army Material Command was found to have no clear pricing policy. Actual and potential over or under spending was found to equal \$101 million. Sales prices for customer order programs did not include the costs of testing and transportation. Over or under billings were found to be in excess of \$50 million. The command concurred. [35]

An additional 13 findings, of lesser impact, were reported as a consequence of the five years of audit investigations.

d. Internal Review Findings

The internal review or auditing deficiencies surfaced in 11% of the audit reports. By definition however, the very nature of internal review, or lack thereof, could have had effects upon all results of the 39 AAA audit investigations.

Looking at specifics, the March 1976 audit of the Communications Command contained a finding which charged the command with not reviewing or monitoring the balance of unliquidated obligations. The deficiency was directly responsible for violations of RS 3679. The command agreed that its internal review capability was lacking and in need of reorganization. [27]

The audit of Fort McPherson, Georgia (TRADOC) in July of 1976 charged the command with maintaining ineffective internal review procedures. The operational internal review function had consistently failed to ensure the accuracy of recorded and reported financial data. The command concurred. [33]

The audit of the Armament Material Readiness Command in October of 1975 reported that personnel responsible for the internal review function were not adequately trained. No SOPs existed. The command concurred. [37]

e. Review and Analysis Findings

While review and analysis shares somewhat the same territory as internal review, review and analysis is

directed more towards the budgeting process. Recalling from chapter II, the process ensures the validity of the COB prior to submission and tracks actual performance data during budget execution. Of the ten audit findings which faulted a command's review and analysis capability, 80% were in reference to a failure to detect and respond to unfavorable budget variances. The remaining 20% of the findings were concerned with the validation of COB proposals.

In July of 1978, the Communications Command was faulted for lacking a budget review mechanism which could have identified unobligated funds for FY 77. Of \$33.7 million in unobligated funds on 31 December 1977, \$8.8 million could have been made available for reprogramming. Furthermore, forecasted data which had been submitted to HQDA for use in determining mandatory obligation rates were not accurate. The command concurred. [21]

In July 1979 audit of the Troop Support Command identified \$6 million which should have been identified as being excess. Obligational forecast reports had not been accurate and managers had not made reviews of forecasted amounts. [23] The same command in November of 1977 was charged with a failure to periodically review outstanding obligations. [28] On both findings, the command concurred.

The June 1978 audit of the Tank Automotive Command revealed additional review shortcomings. The command

failed to review and analyze reported stock fund assets stratified as due-in beyond the apportionment year. As a result, \$2.1 million of proposed procurement for FY 1979 was redundant, requiring cancellation. The command concurred. [24]

f. Finance and Accounting Findings

Forty-one findings related to deficiencies in finance and accounting. Of this total, 13% cited the need for training managers in all aspects of finance and accounting, to include the basics of STANFINS. 34% of the findings were concerned with inaccurate accounting records, 55% reported the use of incorrect accounting procedures. Recalling from chapter II, finance and accounting constitutes a major portion of a comptroller's responsibility. While most of the routine accounting is accomplished within the FAO, the comptroller must be actively engaged with ensuring the reliability of processed financial documents and technical competence of accounting personnel. Without reliable financial reporting, comptrollers at any organizational level would be operating with a handicap. The following will highlight a portion of the findings reported within the contents of the audit.

The July 1979 audit of the Troop Support Command reported \$1 million in invalid unliquidated balances due to accounting errors. The command concurred. [23]

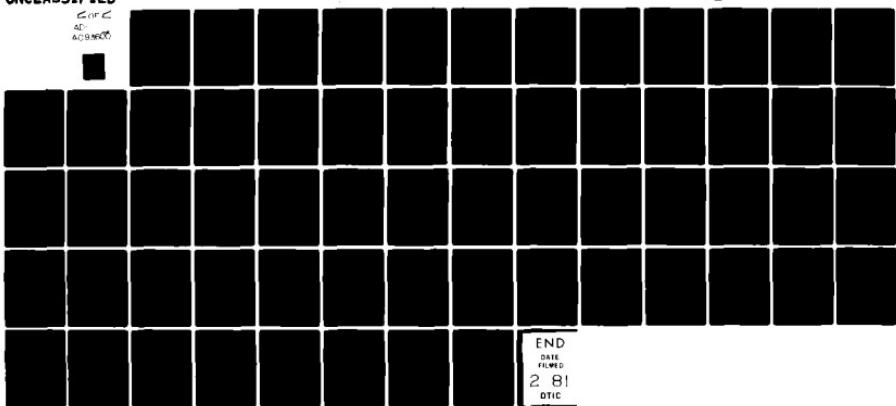
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The August 1977 audit of the Material Development and Readiness Command indicated delays in the processing of disbursements due primarily to the inaccuracy of financial records and reports. In addition, the wrong appropriation was often cited on multi-level contracts. On more than one occasion, the wrong appropriation was knowingly cited. On both counts, the command concurred. [26]

The February 1977 audit of USAREUR stated that the command needed to establish a better program to train financial managers in the basics of accounting principles. As of 31 March 1976, official accounting records of subordinate commands contained in excess of \$100 million worth of errors. There was found to exist a lack of understanding as to how to perform recurring accounting functions. Supervisory guidance was the exception rather than the rule and there existed a profound need to provide technical STANFINS training. The recommendation was made for the command to independently arrange with graduate schools, Fort Benjamin Harrison, and private educators to provide the requisite instruction to all subordinate staff financial managers. The command concurred. In addition, a review of the accounting records indicated that as of 31 March 1976, the records contained \$38.6 million in misstated obligations. Errors existed in the OMA and stock fund records. For FY 1975 and 1976, the OMA fund balances contained 14,500 transactions valued at \$66 million in disbursements without offsetting obligations. A need existed to refine the procedures to

oblige and account for funds. Recorded obligations had been mistated, liabilities had been incurred prior to obligations being recorded, obligations had been recorded when liabilities did not exist, and accounting records did not permit disbursements to be matched with the proper obligations. Again, the command concurred. [30]

The November 1977 audit of the Troop Support Command uncovered accounting records which had failed to reflect the true status of funds. Unliquidated obligations had been overstated by \$3.5 million due to duplicate recording. Accounting entries were simply not describing the financial transactions. The command concurred. [28]

The June 1976 audit of the Material Development and Readiness Command stated that managers did not have the benefit of accurate reporting. The Tank Automotive Command could not verify its long outstanding accounts receivable and had not reported \$45 million in reimbursements earned or \$35 million in collections. The command concurred. [34]

Finally, in October 1975, the audit of the Armanent Material Readiness Command isolated accounting errors effecting \$51 million. See exhibit 24. The command concurred. [37]

An additional 30 findings were reported for the 5 years in question. The findings cited are representative of the total.

ACCOUNTING ERRORS AT THE ARMAMENT
MATERIAL READINESS COMMAND
OCTOBER 1975

| <u>CAUSE OF ERROR</u> | <u>FREQUENCY</u> | <u>(\$) TOTAL VALUE</u> |
|-------------------------------------------------------------------------------------|------------------|-------------------------------|
| 1. Obligation of funds for potential price escalation. | 16 | 23,275,667 |
| 2. Disbursements exceeded funds obligated. | 3 | 6,815,994 |
| 3. Posting of either the wrong amount of duplication of the posting of obligations. | 23 | 16,433,727 |
| 4. Delay in posting actions. | 27 | 3,408,774 |
| 5. Supporting documentation was not sufficient | <u>8</u> | <u>1,033.049</u> |
| TOTALS | 77 | 50,957,211 |

Exhibit 24 [37;24]

g. Management Practices Findings

Of the 16 findings which were concerned with management practices, 13% dealt with unsatisfactory organizational structuring and delegation, 13% found fault with management's use of computer resources, 61% indicated breakdown in management procedures for funds control, and 13% indicated inaccurate cash flow forecasting which directly impacted upon management's capacity to function. The remainder of the section will cite specifics.

The June 1979 audit of the Aviation Readiness Command found that the comptroller had failed to decentralize the OMA fund. Controls had not been developed to establish informal commitment ledgers in the various cost centers, cost centers were not provided quarterly spending ceilings, and fund obligation authority had not been delegated. The command did not concur. [18]

The June 1978 audit of the Tank Automotice Command found inaccurate cash forecasting which affected management's decision making. The monthly forecasts of the stock fund working cash needs had been misstated, understating the balance of cash available for withdrawal by \$10 million. The command concurred.

The August 1977 review of the Material Development and Readiness Command found that attempts to update and correct numerous errors in financial records had met with failure primarily because the Army did not have the necessary computer program to process the reconciliation.

Personnel were reluctant to rely upon the computer. The command concurred. [26]

The audit of Fort Shafter, Hawaii in October of 1976 found administrative control of funds to be ineffective. Cost ceilings for 14 of 24 reimbursable orders in FY 1975 had been exceeded by \$312 thousand before fund availability could be determined. Quarterly control did not exist. The command concurred. [32]

Finally, the June 1975 audit of the Material Command found fault with the control of document flow. Specifically, the controls did not provide for the prompt adjustment of commitment balances when purchase requests were issued or when contracts were terminated. The command concurred. [36]

An additional 11 findings were recorded. The following subheading will provide an independent overview of the Army financial system from the eyes of the GAO and Ernst and Ernst. As indicated earlier, these findings were presented independent of the data collected by the AAA.

3. Supplemental Report Findings

In addition to the AAA audit findings previously classified and presented, the authors thought it necessary to examine those audit investigations conducted apart from and independent of the Army community. They were extracted from the DLSIE data base and pertain to the same five year period covered by the AAA reports of Section 2. Highlights of these reports follow in the remainder of this section.

The GAO audit of November 1976 dealt with breakdowns within the Army financial management system. Specifically, the report examined the causes and extent of any violations of RS 3679. By 21 April, 1976, the audit had discovered \$205 million in overobligations in the Army procurement appropriations. The causes cited in the report included poor accounting and reporting procedures, and an overall breakdown in the financial management effort at the Department of the Army (DA) level. Orders for foreign military sales were habitually overstated, causing an increase in obligational authority. Funds had been transferred out of the procurement appropriations to other appropriations without due regard to funds availability. In addition, transfers between appropriations had been made without making the corresponding reduction in fund authority allocated to the MACOM's. Finally, the Army was found to have added insult to injury by failing to take the corrective action recommended by the AAA in the course of previous in-house investigations. The Army concurred and in 1976, formulated the Financial Management Advisory Committee (FMAC). The FMAC consisted of six individuals from industry, academia, and the Army who primary purpose was to provide guidance in the redirection of the Army financial management effort. [15]

The GAO audit of July 1977 discovered the need to apply adequate controls on the Army standard payroll.

Specifically, the system was lacking in internal review and the control measures necessary for the functioning of the payroll system. Management and review personnel were found to be lacking in the basic knowledge required to both understand and review the system. The system could have been enhanced through the implementation of largely ignored computer systems, dependent upon thorough personnel training programs and software validation. The Army concurred. [14]

The July 1977 GAO audit examined the Army's internal review capability. The AAA staff was found to be decreasing irrespective of increasing demands for the agency's services. There simply were not enough auditors to meet the DoD cyclical audit objectives. An appropriated fund activity would be lucky to be investigated every six years. The GAO cited a trend of sharply decreasing to nonexistent follow-up reviews. The need was highlighted for strong internal review departments within comptroller offices at all levels to take up the slack. The Army concurred. [13]

Finally, the Washington D.C. based firm of Ernst and Ernst examined Army overobligations in April of 1977. As contained within the audit report, violations of RS 3679 were caused by deeply rooted problems within Army financial management. Problems cited included clerical accounting errors, procedures and systems failures, a lack of adequate internal review and analysis, a lack of funds control, and a failure to properly manage budget execution. The report

recommended more exception reporting, the standardization of obligation forecasting, the utilization of variance analysis, the periodical review of contingency reserves, more timely accounting reports, and the reduction of manual record keeping. The Army concurred. [16]

D. COMPARISON OF SURVEY QUESTIONNAIRE AND AUDIT REPORT DATA

1. General

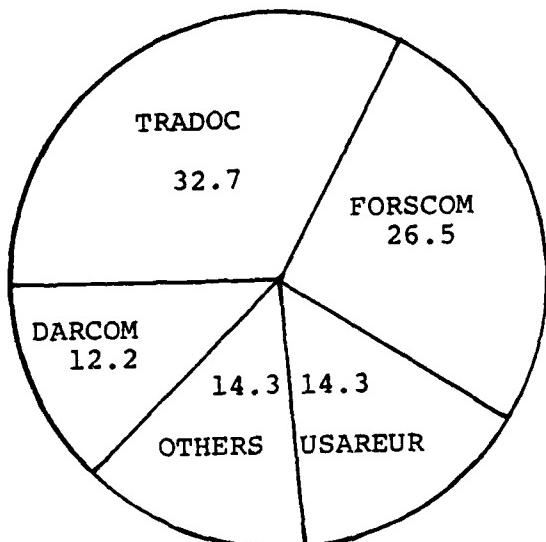
An analysis of the survey questionnaire and AAA reports convinced the authors that the data previously presented could be clarified by a more detailed description of the nature of the data received and by a comparison of the two primary sources of data. The authors did not intend to discard contradictory data and information did arise which the authors felt should be highlighted. This section will identify that information and highlight the more obvious comparisons between the two primary sources.

2. The Sample Comparison

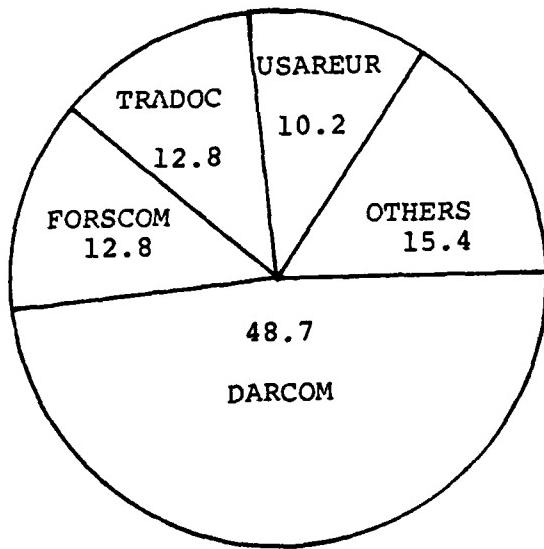
The graphs reflecting the MACOM's as percentages of the target population for both the survey questionnaires and AAA audit reviews are reproduced in exhibit 25 for the reader's convenience. The reader will notice that a considerable discrepancy exists when one considers DARCOM's proportion of the questionnaire population as compared to its portion of the AAA report population. To help clarify this discrepancy one should reconsider the fact that the authors, in picking their sample population for the survey

MACOM'S AS PERCENTAGES OF THE POPULATION
FOR THE QUESTIONNAIRES AND AAA REPORTS

SURVEY QUESTIONNAIRES



AAA REPORTS



questionnaire, chose those DARCOM subordinate commands which the AERB list identified as having positions for junior level comptrollers. The population examined in the AAA report was the total population of DARCOM commands which was examined by the AAA. These commands may or may not have had junior comptrollers on the comptroller staffs. The authors believe, after examining the nature of the commands audited by the AAA, that many of their comptroller offices were high echelon organizations. The AAA would be more likely to be attracted to a higher level office, where there was more visibility, responsibility, and therefore more opportunities for mistakes to be made, than they would be to a smaller office. It is also interesting to note that the FMAC, mentioned in Section C of this chapter, directed the AAA to spend at least 50% of its efforts in auditing financial activities. RDTE and procurement, major functions of DARCOM comptroller offices, quite naturally came into the limelight due to their high dollar impact and visibility. [15;10]

The reader will also notice that the proportions of TRADOC and FORSCOM commands represented in the survey questionnaire population are much higher than those in the audit report population. The authors attribute this to the fact that TRADOC and FORSCOM comptroller organizations consist largely of a number of small installation comptroller offices, along with the supporting offices in the MACOM headquarters. Again, the authors feel that the AAA would

not be likely to concentrate on these small offices. At least one senior comptroller on an installation disagrees with the above, however. In her words, "our Internal Review Section spends 50% of its time trying to formulate the command replies to AAA audits." [41]

The authors feel that although the individual MACOM's represented significantly different proportions of the two sample populations, the overall population of Army comptroller communities were similar in both areas of research. The only real difference was that the AAA audit sample tended to examine higher echelon comptroller offices. The authors feel that this supported rather than negated the overall research effort.

3. Data Results

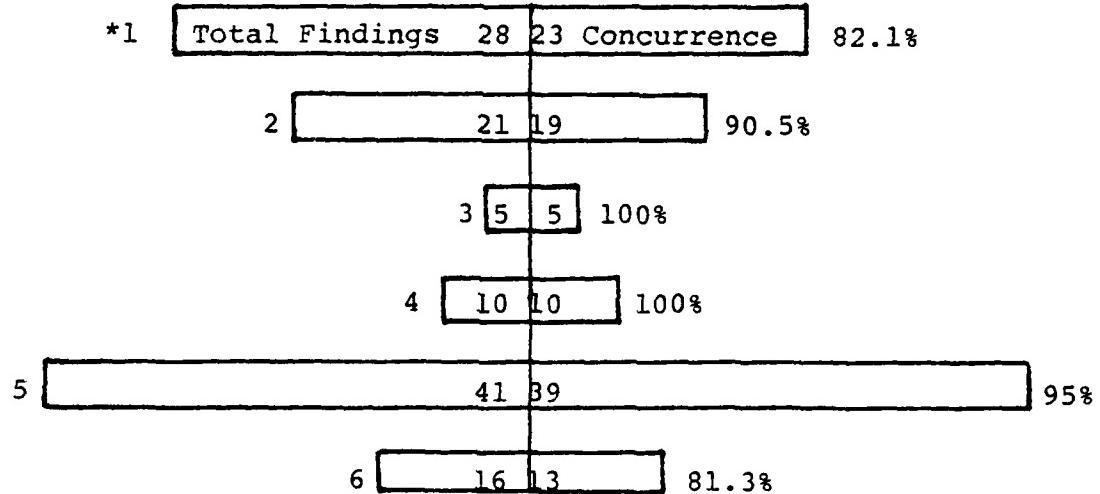
a. The Need for Improvement

The authors' efforts directed at determining the degree of need for improvement in the comptroller community were concentrated in the survey questionnaire. The authors could not use the AAA reports to quantitatively support data in the survey questionnaires relating to the degree of need. However, the fact that the AAA reports had many negative findings forms part of the basis for the authors' belief that a need for improvement exists.

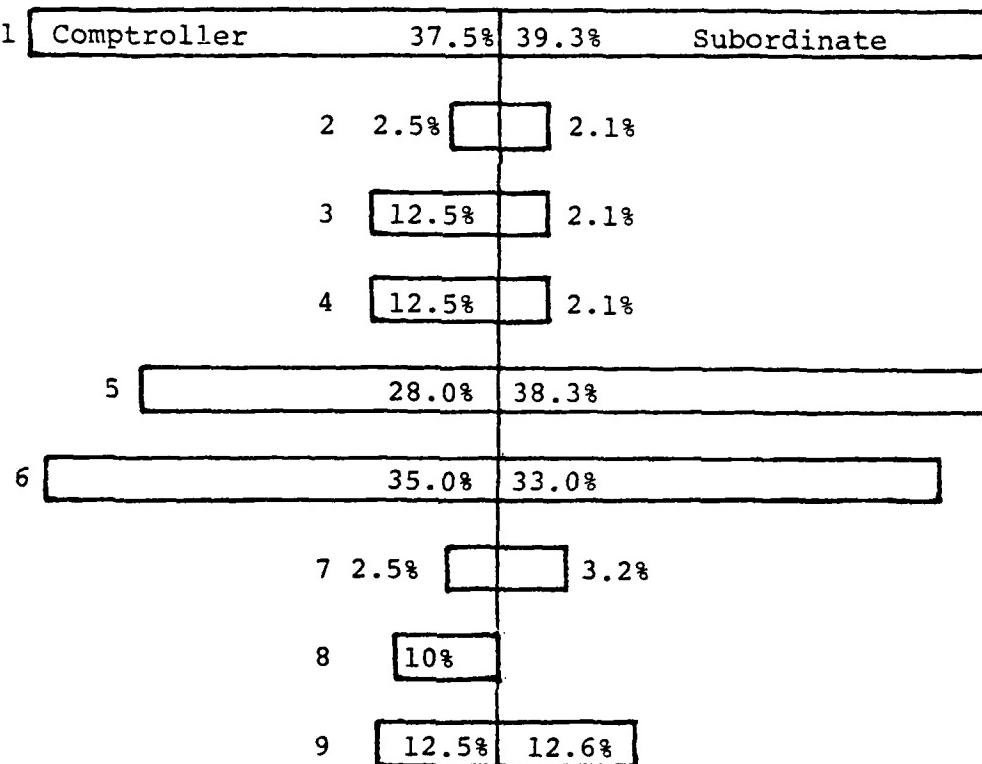
b. Subject Areas Needing Improvement

Exhibits 17 and 23 are reproduced for the reader's convenience in exhibit 26. The reader will note that the

AUDIT CONCURRENCE DATA



QUESTIONNAIRE FREQUENCY OF MENTION



- *1 Budgeting (PPBS)
- 2 Cost Analysis
- 3 Internal Review
- 4 Review Analysis
- 5 Finance & Accounting
- 6 Manpower Practises
- 7 Staff Procedures
- 8 Leadership
- 9 Others

Exhibit 26

AAA reported negative findings in all of the six areas identified in Chapter II of this thesis as being areas of primary responsibility for comptrollers. Each of the six areas was mentioned with varying degrees of frequency in the survey questionnaire, along with other areas of management interest.

Several comments pertaining to the data obtained from the survey questionnaires deserve mention. First, the authors included all mention of budget forecasting, preparation, and execution under the "PPBS" heading. Many respondents who mentioned budgeting as a deficient area specifically mentioned PPBS and then went into detail as to what particular part of the system needed improvement. Next, the reader will note that 12.5% of the senior comptrollers identified internal review as a deficient area, while only 2.1% of their subordinates felt the same. The reader will recall the comments of the senior comptroller regarding the relationship between her internal review section and the AAA. If in fact her internal review section is representative of most in that it spends a large amount of time preparing the command reply to AAA audits, then it is easy to understand why seniors might place more attention than subordinates in that area. The senior comptroller is the individual who must place his/her signature on the command reply to the audit.

The fact that comptrollers' perceptions of what is important are based upon positions of responsibility is reflected in the frequency of mention of finance and accounting systems. The subordinate is the individual who works directly with these systems. The senior is not as involved. Thus, the discrepancy in this data may be explained.

Interestingly enough, 10% of the seniors felt that leadership and personnel relations among subordinates are areas of importance that needed improvement. Not surprisingly, no subordinate mentioned this area, although seniors' comments such as "needs common sense" and "ability to listen and get along with people" were prevalent. Based upon the tone of the seniors' replies, these comments were grouped under either the leadership or miscellaneous categories.

The authors concluded their search for data by compiling their AAA and questionnaire results and then interviewing a senior Army Comptroller at a nearby installation. After the authors outlined what they had accomplished and discovered up to that point, the officer stated "...the biggest problem area that most novice comptrollers have, and the one that gets them into the most trouble, is budgeting." This officer went on to state that areas such as cost analysis, management practices, internal review and staff organization should receive only cursory attention, because

"SOPs in these areas are different in every organization, but budgeting and accounting are the same." [42]

E. RESEARCH CONCLUSIONS

1. General

Having completed the research, the data were reviewed in an effort to reach conclusions regarding the degree of need for improvement in each of the six major functional responsibilities of the comptroller as contained in exhibit 2, Chapter II. This section will present the authors' conclusions regarding the need for improvement in those areas. The thoughts of the senior comptroller who was quoted in the previous section of this chapter were fresh in the authors' minds as they reviewed their data in regards to weaknesses in budgeting.

2. Budgeting

An Army major assigned to TRADOC Headquarters, Fort McPherson, Georgia, stated in the survey questionnaire that "a thorough knowledge of the PPBS is needed by all in the financial management area." As displayed in exhibit 17, his concern lies in the most frequently mentioned comptroller function in need of improvement. 37.5% of the senior comptrollers and 39.3% of their subordinates felt that there was a need for an improved understanding of budgeting techniques. In addition, 41% of the AAA reports examined had negative findings in this area, most of which were in reference to overobligations of funds, improper funds

transfers, and a failure to review obligational needs as a prerequisite to funds reprogramming.

The overall tone of survey questionnaire respondents' and interviewees' comments regarding budgeting and the PPBS led the authors to conclude that comptrollers feel that DoD and HQDA PPBS procedures have grown too complicated for the common man to comprehend. One respondent from USAREUR stated that "PPBS, when taught from the HQDA level, overwhelms the most eager. When presented from the MACOM level, PPBS can take on an understandable perspective". The authors considered the second part of his statement to be most important. They concluded from the survey responses and AAA reports that as far as the overall PPBS is concerned, junior comptrollers need most to learn how to provide input into installation and MACOM command operating budgets (COB) and how the COB inputs into the overall Army Budget Estimate. The junior officers need an overview of how the DoD level PPBS works, but can learn the details of DoD PPBS procedures after progressing to higher staff levels.

In regards to budget preparation, the authors concluded that problems in preparation most likely can be attributed to improper mission planning guidance from the commander, an inability to apply that guidance by the junior comptrollers, and faulty cost estimation. The authors felt that problems with budget execution revolved around the

inadequate monitoring of activity spending rates by both local and senior commands, and inaccurate financial accounting. Additionally, the authors perceived that "mission oriented" senior comptrollers have been known to be quite liberal in the manner that they allow funds to be transferred to a higher priority project.

For the most part, the authors' main concern lay in the PPBS area of responsibility. Comments such as "...your utility as an action officer is limited until you have become familiar with PPBS, which takes about a year" led the authors to believe that the intricacies of PPBS may require its increased emphasis in continuing education and technical skill updating programs within the comptroller community.

3. Finance and Accounting Systems

In the view of the questionnaire respondents, the need for improvement in the mastery of finance and accounting systems was second only to the need for improvement in budgeting. 38.3% of the subordinates and 28.0% of the seniors mentioned this area as being weak. 74% of the AAA reports examined had negative findings regarding comptroller applications of finance and accounting systems. This percentage of AAA statistics is far higher than the percentage of findings in any other of the five remaining functional areas. As noted in Section B of this chapter, 25% of those who mentioned finance and accounting systems

in the survey questionnaire stated that lack of familiarity with STANFINS and SAILS was a major problem. The authors regarded this as a serious shortcoming, as STANFINS forms the core of the automated Army accounting system. Comptrollers who are uncomfortable with their knowledge of STANFINS therefore are uncomfortable with the entire system. The authors felt that in general, the financial managers do not understand the automatic data processing (ADP) codes and procedures which are inherent in an automated accounting system. The authors believe that the situation results from two factors. First, the young financial managers are unfamiliar with the basics of ADP systems. Second, as was explained in Chapter II, STANFINS interfaces with other accounting systems through data links. The system interfaces are being improved and expanded to eventually mold into a standardized automatic Data Element Reporting System (DELMARS). The authors concluded that this ongoing expansion, when combined with comptroller unfamiliarity with the basics of ADP, has and will continue to create confusion. When DELMARS is universally implemented, comptrollers will have the opportunity to catch up with the system. During the current transition period, however, they will continue to experience difficulties without increased ADP awareness training.

4. Management Practises

To the authors, the most surprising result of the survey questionnaire was the high frequency of mention of

manpower management. Overall management practises were classified as being deficient by 35% of the senior comptrollers and 33% of their subordinates. Of these respondents, 60% specifically mentioned manpower management as being a deficient area. As one senior comptroller stated, "manpower management...is the most overlooked area in comptroller courses, yet it is vital on the ground". This officer further stated that many comptrollers assume that manpower management belongs to somebody else. Therefore, they should not be concerned with it. The reality is that manpower management is a relatively new facet of Army comptrollership. Junior comptrollers can expect to become more and more involved in both manpower and financial management. The term comptroller and resource manager have been used interchangeably in this thesis. As another respondent stated, "comptroller and manpower management equals resource management".

The authors concluded that comptrollers may not be receptive to having manpower management as a portion of their duties. In the authors' view, this reluctance is understandable as manpower management is a separate academic discipline. It will take time for the comptroller community to fully integrate manpower management into its management activities. Education will help to break down the barriers. At the present time, only 6 hours of the 180 hour Military Comptrollership Course taught at Fort Benjamin Harrison are

devoted to manpower management. More will be discussed about this in the next chapter.

5. Cost Analysis

41% of the AAA reports examined contained negative findings involving cost analysis. The authors concluded after reading the reports that most errors in cost analysis resulted from faulty basic managerial accounting. Costs which should have been considered indirect were classified as direct and vice versa. Cost centers were not clearly established, and their related costs were not correctly charged to them. These problems were particularly prevalent in Army stock fund activities and customer order activities of DARCOM commands. These mistakes further caused financial managers to produce improper budget estimates.

6. Review and Analysis

By definition, errors in the budget review and analysis process lead directly to faulty budget preparation and execution. Likewise, one could conclude that there would be no shortcomings in review and analysis if there were no errors in the budget process. 26% of the AAA reports contained negative findings in this area. The authors concluded that these shortcomings were generally due to a failure to detect mistakes in budget preparation during budget analysis. Shortcomings in review and analysis most likely can be attributed to both a lack of knowledge of the budget

preparation function and analytical techniques. Vigilance is lacking in the review process of an activity's spending habits.

7. Internal Review

"The effective use of internal review is practically an unknown science" was one senior comptroller's summation of this function's utilization. The reader will recall from Chapter II that a major function of the internal review section of a comptroller staff is to identify possible problem areas and to plan for solutions. In Section C of this chapter, the authors pointed out that the fact that AAA reports contain negative findings is indicative of an ineffective internal review effort. With the above thoughts in mind, the authors could only conclude that internal review sections are not being utilized to their potential. Possibly, they serve in miscellaneous functions not related to their purpose. As mentioned in Chapter II, internal review will certainly become more important in the future as the AAA becomes smaller in size and loses its capacity to conduct follow-up audits. The authors believe that senior comptrollers recognize the growing importance of internal review. 12.5% of the senior financial managers responding to the survey questionnaire regarded internal review as being a comptroller function in need of improvement.

8. Summary

Exhibit 19 adequately summarizes areas needing improvement. Military accounting and finance systems, PPBS and

management practises were by far the most mentioned and significant comptroller functions in need of improvement. To a lesser extent, the authors also identified cost analysis, with its impact upon budget preparation, as being a shortcoming requiring attention. Across the board, these areas were recognized by Army financial managers holding job positions which spanned the spectrum of Army comptrollership. Other shortcomings, the authors felt, would be resolved as financial managers acquire the requisite knowledge of basic comptrollership inherent in the four primary shortcomings identified.

After concluding the above, the authors went on to examine the curricula of current military comptrollership courses taught at various installations. These courses, and the perceptions of how they can contribute to the solution of the comptroller community problem form part of the basis of the next chapter.

IV. POSSIBLE SOLUTIONS TO PROBLEMS IN ARMY COMPTROLLERSHIP

A. GENERAL

The authors attacked the problem of alleviating the four main deficiencies identified in Chapter III from two directions. First, the contents of three practical comptrollership courses taught to military students were reviewed. Two of these courses, the Military Comptrollership Course (MCC) and the Military Accounting Instruction, Syracuse University, are taught primarily to Army students. The third, the Professional Military Comptroller School (PMCS), is taught to officers from all services who attend the United States Air Force (USAF) Air War College at Maxwell Air Force Base, Alabama. The authors attempted, by examining this course, to observe how other services train their comptrollers. Each course was examined with one main question in mind; does the content of this course adequately address each of the four main subject areas identified in Chapter III as needing improvement?

Second, the authors considered the possibility of establishing a formalized intern program and/or continuing education program to enable comptrollers to keep up with the growth of technical knowledge in the field. Comments by comptrollers regarding continuing education were evaluated, along with an installation's comptrollership intern program and the attitudes of individuals involved in intern programs.

Chapter IV is devoted to a discussion of two approaches towards the solution of the comptroller educational dilemma. Section B contains a discussion and analysis of the three identified comptrollership courses. Section C describes and discusses the feelings of comptrollers regarding continuing education and intern programs and presents recommendations regarding these programs. Section D presents the authors' closing comments on this thesis.

B. COMPTROLLER COURSES

1. Military Comptrollership Course (MCC)

The MCC, taught at the U.S. Army Institute for Administration (USAIA) at Fort Benjamin Harrison, Indiana, was the first course examined. This course has as its stated purpose:

To provide eligible Commissioned Officers and Department of the Army civilian personnel functional level training in comptrollership. Provides a working knowledge in programing and budget formulation, budget execution, military accounting, management, review and analysis, and internal review. Provides a general knowledge of statistical techniques, and nonappropriated fund management. [44]

The course is taught to commissioned officers and civilian personnel in the grades of Captain (O-3) and GS-09, or higher respectively. These individuals must be assigned to or be on orders for a position requiring comptrollership functional area expertise in military accounting, management, budgeting, review and analysis, internal review, or any other position which requires basic knowledge of

comptrollership. Military personnel must have a secondary specialty code of 45 (Comptroller) and civilians must be a member of the Army's Comptroller Civilian Career Program. This program guarantees a Department of the Army Civilian (DAC) a comptroller job once he/she enters the comptroller field. The course is 5 weeks long, and consists of 180 hours of academic instruction. The subject material taught and its related hours of instruction are reflected in Exhibit 27. Generally speaking, the course is organized into blocks corresponding roughly with the four main areas of deficiency as analyzed below.

a. Military Accounting and Finance Systems

If one compares the subject material taught in the comptrollership and military accounting block of instruction in the MCC with the material identified as being necessary knowledge for the comptroller in Chapter II, one will notice that all knowledge needed in this area is covered in the MCC. Any problems with the MCC in adequately preparing students in this area, then, must be in specifics.

As was identified in Chapter III, one of the most prevalent problems involving military accounting was a lack of familiarity with the Standard Finance System (STANFINS) and the Standard Army Intermediate Level Supply System (SAILS). The MCC devotes 6 hours to STANFINS and other accounting reports. At first glance, this time appears to be inadequate. However, the overall 50 hour accounting

block includes practical exercises using an installation model operating under the STANFINS and SAILS systems. In addition, STANFINS and SAILS interfaces with, and is integrated into, other subjects in the accounting block to include stock fund concepts. One can only conclude that the student needs practice and repetition in using these systems.

b. Planning, Programming and Budgeting System (PPBS)

Again, if one reviews Chapters II and III and compares the comptroller's necessary knowledge identified there with the subjects in the MCC budgeting block of instruction, one will conclude that everything a comptroller needs to know about Army budgeting is included in this block of instruction. This block includes an 11 hour computer exercise involving alternative means of projecting budget costs. The objective of this block of instruction is to provide a working knowledge of the procedures and concepts of budget formulation and budget execution. The training involved includes supervisory responsibilities and the use of various quantitative methods available for use at the installation level. This purpose indicates that this block is in reality an overview of budgeting. Although all subjects needed by the comptroller are covered, none are examined in great detail. Further investigation revealed that of the 71 hours of instruction in this block, only 5 involve the actual assembly of a major activity budget. Also, the

reader will recall from Chapter III that 67.8% of the negative Army Audit Agency (AAA) findings involving budgeting mentioned improper budget execution. An examination of the MCC budgeting block of instruction shows that only 4 hours is devoted to monitoring the execution of the budget in a fund control exercise.

The authors concluded after reviewing the budgeting block of instruction that students need more practical exercises involving the actual assembly and execution of an installation Command Operating Budget (COB).

c. Manpower Management

The MCC devotes a total of 8 hours of instruction to manpower management. Two of these hours are dedicated to the elements of Program Budget and Manpower Guidance while 6 hours are used to teach the principles of procedures employed in manpower management. The primary references used are Army Regulation 37-100 and the U.S. Army War College (USAWC) Army Command and Management: Theory and Practice reference text. To a lesser extent, Special Text 14-790, Military Accounting for Comptrollers is used. This text is produced and used by the USAIA for the conduct of the MCC. The authors examined both the USAIA and USAWC texts and found that both of them contained broad descriptions of DOD and DA level manpower management practices. However, neither dealt in depth with installation manpower management. For example, Special Text 14-790 briefly described manpower

vouchers, manpower surveys, and Schedule X requirements (justification for job position increases), but did not describe in detail how these important forms and functions should be used. In contrast, ST 14-790 describes in detail expenditure accounting concepts and contract services. The authors concluded that students should receive more instruction in installation manpower management procedures.

d. Cost Analysis

The MCC devotes 51 hours to subjects involving budget review and cost analysis. These subjects include mathematical sensitivity analysis techniques and budget adjustment procedures. A computer simulation, although not included in the above total hours, adds valuable material to this instruction. After examining the material taught on budget review and cost analysis, the authors determined that this instruction was detailed and relevant. There were no broad brush overviews of material. All of the instruction included practical exercises and problem solving. The authors could reach no conclusions regarding possible inadequacy of instruction in this area.

e. Summary

After examining the MCC, the authors determined that its stated purpose is somewhat misleading. Rather than providing the student with functional entry level training in comptrollership, the course presents more of a general description of basic principles of financial management and describes in general terms what the comptroller is going to

be responsible for upon assumption of duties. Nine respondents of the survey questionnaire supported the authors' perception of the nature of this course by stating that they felt that the course was more of an overview of comptrollership, or "too general in nature".

2. Military Accounting Instruction, Syracuse University

The Army Comptrollership Program at Syracuse University is designed to prepare qualified officers for duties in the Army comptrollership field. It integrates Army comptrollership training with academic instruction leading to a masters degree. After students graduate from this program, they normally attend a portion of the MCC at Fort Benjamin Harrison. During their studies at Syracuse, however, they attend a 5 day course (35 hours) on military accounting. This course is nothing more than a condensed version of the military accounting portion of the MCC. It is taught by a team of instructors from the USAIA. The course content and related hours of instruction are shown in Exhibit 28. If students pass the examination on the last day of instruction, they then receive credit for the military accounting portion of the MCC. After reviewing the course content, the authors concluded that the course is a good short course in military accounting. It contains the best aspects of the MCC accounting block and includes the installation model using STANFINS and SAILS.

3. Professional Military Comptroller School (PMCS)

The PMCS is taught to officers of all services, although mainly Air Force, who are attending the USAF Air War College and who have either a primary or secondary specialty in financial management. Air War College students are O-5 in grade. The course has as its stated purposes:

To develop in selected personnel a capacity to evaluate and adapt the role and tasks of the comptroller to the economic, political, and social environment of the military organization and its mission.

To broaden the professional horizons of the student by providing a comprehension of the major contemporary problems, issues, and national policies which bear on the decision making process in the efficient and effective allocation of resources to and within the defense establishment.

To enhance individual capacities to serve effectively as a comptroller generalist by providing a comprehension of the academic disciplines - the arts and sciences - which are prerequisite in the practice of comptrollership at a high level of professional competence in the Department of Defense. [46]

The course consists of 312 hours of orientations and instruction. Course subject matter and related hours are shown in Exhibit 29.

As the stated purpose and exhibit 29 suggests, the PMCS is geared more towards the senior comptroller's level. An examination of the course content, however, reveals that this course contains instruction that would be very beneficial to the junior comptroller. A discussion of this instructional material follows.

At the outset of the course, the students are given a pre-test as an overview of the course objectives to provide a basis for student self evaluation. A similar test

would be particularly effective if given to a junior comptroller who had just graduated from Syracuse University or the Naval Postgraduate School (NPS), and who possibly had been exposed to some facets of Army comptrollership.

The course contains an extensive analysis of computer applications to financial management, particularly with regards to the managerial aspects of financial management. In addition, the course devotes 22 hours to the functions of the Management Information Systems Office (MISO) and USAF automated data processing (ADP) systems. The Air War College even has an elective course on fundamentals of ADP. Such a course, combined with mandatory instruction on Army MISO offices and Army ADP systems would be invaluable for the Army comptroller.

The course also contains a case study on ethics. This instruction, combined with more recent Cost Accounting Standards Board decisions, provides a valuable insight into the legal ramifications of comptrollership.

Finally, the course includes a Zero Base Budgeting (ZBB) case study. As part of this study, the students become involved with the ZBB ranking process. Because of the current emphasis on ZBB in the federal government, this exercise could provide valuable training for future comptrollers.

4. Course Proposal

After researching the duties of the comptroller, identifying and analyzing problem areas within the comptroller

community, and examining existing comptroller courses, the authors determined that they could devise a practical comptrollership course to help alleviate the problem areas. The subject areas and related instructional hours for this course are presented in Appendix B. The course is based upon research results and what the authors consider to be the most important areas of knowledge needed by the junior comptroller, and those areas most needing improvement. In addition, the best aspects of the existing courses that were analyzed were included in the course.

During their studies, however, the authors realized that devising a practical comptrollership course might not be the answer to their problem. As identified in Chapter III, a significant number of comptrollers (9.3%) felt that they needed only prior experience to perform well in their present job. Others felt that the system was growing too rapidly for the average human to keep up with it. These perceptions along with other comments that the authors received led them to consider the possibility of the Army establishing a service-wide comptroller internship program and/or a system of continuing education. The case for these programs is discussed in Section C of this chapter.

C. A CASE FOR MILITARY INTERN PROGRAMS AND CONTINUING EDUCATION

1. Intern Programs

The 9.3% of the comptroller population mentioned above were supported by 7 additional comptrollers who

strongly recommended the establishment of comptroller intern positions throughout the army. In addition, comments such as "the intricacies of any facet of programming, budgeting or manpower must be experienced" were prevalent throughout the survey responses. The reader will also recall from Section B of this chapter, that 9 Comptrollers specifically noted that the MCC is too general in nature, and therefore does not adequately address the details of comptrollership duties. For the above reasons, it is recommended that the U.S. Army study the feasibility of establishing comptroller intern programs throughout the army. At the present time, only scattered individual installations have such a program. The only officer in an intern program who answered the survey felt that the program was absolutely the best means for preparing for comptroller duties. His program, combined with the authors' perceptions of what areas should be emphasized, form the basis for an intern program that the authors propose in Appendix C.

2. Continuing Education

In a letter to the authors, Lieutenant General (Ret.) Frank J. Sackton, a former Comptroller of the Army, stated:

....There is one point that I might mention about which I have been doing some thinking in the past few months. That is the need for continuing education. In the comptrollership science, as well as other technical aspects of the military, knowledge is increasing at such a rapid rate that there is a concern about keeping up with it. [43]

As was pointed out in Chapter III, Section E, the comptroller community shares General Sackton's concern. Certainly many

of the problems present in Army comptroller offices today can be attributed to a system which overwhelms the novice and which rapidly grows in complexity. It is therefore recommended that the army study the possibility of developing guidance for lower level commanders regarding continuing education. Such guidance could include recommendations for scheduled updates on comptroller practices and advances in technology, and the establishment of MOS libraries in comptroller organizations. Many technical organizations in the army have their own libraries; there is no reason why comptroller offices cannot follow suit.

D. CLOSING COMMENTS

Throughout this research effort, it was impossible for the authors not to form subjective opinions on the state of army comptrollership. One of these impressions was that overall, in spite of their difficulties, Army comptrollers have a positive view towards their duties. This attitude appears to be: "Well, we have problems now, but once the ADP and finance systems become finalized and totally integrated, things will work themselves out." The authors anticipate joining the ranks of such positive people, and sincerely hope that this research effort benefits the Army as much as it benefited the authors.

MILITARY COMPTROLLERSHIP COURSE (MCC)
SUBJECTS AND INSTRUCTIONAL HOURS

| SUBJECT | HOURS |
|----------------------------------------------------------------|-----------|
| Introduction to Comptrollership and Military Accounting | |
| Comptrollership in the Army | 2 |
| Fiscal Code Overview | 1 |
| Installation Accounting Management/Accounting Systems | 2 |
| Army Resource Management System | 5 |
| Flow and Receipt of Funds | 2 |
| Administrative Control of Funds | 1 |
| Obligation Rules and Principles | 5 |
| Base Operations/Unfunder Expenses | 2 |
| STANFINS Reports | 2 |
| Installation Reimbursement Program | 8 |
| Accounting Reports | 2 |
| Stock Fund Concepts and Accounting | 5 |
| Program Budget Guidance/Budget and Manpower Guidance | 2 |
| Manpower Management | 6 |
| Examination | 5 |
| Sub Total | 50 |
| Program/Budget, Review and Analysis | |
| Activity Budgeting | 9 |
| Statistics Methods | 7 |
| Major Activity Budgeting | 5 |
| Military Construction, Army | 3 |
| Research, Development, Test, and Evaluation (RDTE) | 2 |
| Planning and Budgeting | 2 |
| Army Procurement Appropriations | 3 |
| Operation and Maintenance, Army Reserve (OMAR) | 2 |
| Programming and Budgeting | 2 |
| Examination | 5 |
| Regression Analysis | 5 |
| Principles of Review and Analysis | 2 |
| Computer Simulation Lab/PERT | 11 |
| Department of Army Productivity Improvement | 2 |
| Program (DAPP) | 2 |
| Quantitative Budget Analysis (QBA) | 7 |
| Fund Control Exercise | 4 |
| Examination | 4 |
| Sub Total | 71 |

Exhibit 27 [44]

Exhibit 27 (continued)

| SUBJECT | HOURS |
|--------------------------------------|-----------|
| Management and Statistics | |
| Statistical Sampling | 7 |
| Economic Analysis | 8 |
| Management Analysis | 2 |
| Examination | 5 |
| Budget Adjustments | 4 |
| Internal Review | 3 |
| Linear Programming | 5 |
| Budget Review and Analysis | 6 |
| Case Study Research and Presentation | 8 |
| Nonappropriated Fund Management | 4 |
| Financial Statement Analysis | 2 |
| Examination | 5 |
| Sub Total | <u>59</u> |
| TOTAL | 180 |

MILITARY ACCOUNTING INSTRUCTION, SYRACUSE UNIVERSITY
SUBJECT AND INSTRUCTIONAL HOURS

| SUBJECTS | HOURS |
|-------------------------------------------------------|-------|
| Introduction/Fiscal Code | 1 |
| Installation Accounting Management/Accounting Systems | 2 |
| Flow and Receipt of Funds | 1 |
| Admin Control of Funds | 1 |
| Obligation Rules and Principles | 3 |
| | |
| Critique Homework Assignment | 1 |
| Expense Accounting | 2 |
| Expenditure Reports | 1 |
| Installation Reimbursement Program | 3 |
| Installation Reimbursement Program | 4 |
| Accounting Reports | 2 |
| Stock Fund Concepts | 2 |
| Stock Fund Concepts | 4 |
| Nonappropriated Funds | 4 |
| | |
| Examination | 2 |
| Critique | 1 |
| | |
| TOTAL | 34 |

Exhibit 28 [45]

PROFESSIONAL MILITARY COMPTROLLER SCHOOL
SUBJECT AND INSTRUCTIONAL HOURS

| SUBJECT | HOURS |
|-----------------------------------------------------------|-----------|
| Applied Comptrollership | |
| Financial Management at the Executive Level | 47 |
| Information Management | 22 |
| Comptrollership in the Operating Activities | 29 |
| Comptrollership in the Acquisition and Support Activities | <u>32</u> |
| Sub Total | 130 |
| Comptroller Arts and Sciences | |
| Analysis for Resource Management | 22 |
| Executive Communication | 14 |
| Economics for Resource Management | 29 |
| Management Theories and Concepts | <u>26</u> |
| Sub Total | 91 |
| Orientation, Administration, and Evaluation | 9 |
| Individual Study and Electives | <u>82</u> |
| TOTAL | 312 |

Exhibit 29 [46]

APPENDIX A
FINANCIAL MANAGEMENT QUESTIONNAIRE

SUBJECT: Financial Management Questionnaire

1. RANK TIME SPENT IN CURRENT DUTY POSITION (MO)
ORGANIZATION LOCATION

2. HIGHEST EDUCATIONAL DEGREE AND MAJOR (EX: MS in Financial Management, BS in Engineering, etc)

3. DUTY POSITION BUDGET OFFICER
 PROGRAMMING/ANALYSIS
 INTERNAL REVIEW
 COST ANALYSIS
 OTHER (Describe)

4. DID YOU RECEIVE FORMAL TRAINING FOR YOUR CURRENT DUTIES?

YES NO
IF YES, WHERE FROM?

5. DID YOU FEEL CONFIDENT ABOUT YOUR ABILITIES TO CORRECTLY PERFORM YOUR DUTIES UPON ASSUMING THEM? YES NO
IF NOT, WHY NOT?

6. DID YOU RECEIVE ANY FORMAL TRAINING RELATING TO YOUR CURRENT DUTIES AFTER YOU ASSUMED THEM? YES NO

7. PLEASE EXPLAIN BRIEFLY HOW YOU COULD HAVE BEEN BETTER PREPARED FOR YOUR DUTIES IF YOU FEEL THAT YOU COULD HAVE BEEN BETTER PREPARED. DID YOU FEEL THAT YOU HAD ANY WEAKNESSES? WHAT SUBJECT AREAS DO YOU THINK SHOULD BE STRESSED THE MOST IN A PRACTICAL COMPTROLLERSHIP COURSE? (Use back if necessary)

8. (FOR SUPERVISOR ONLY) ARE THERE ANY TECHNICAL AREAS INVOLVING ARMY COMPTROLLERSHIP THAT YOU FEEL YOUR MILITARY SUBORDINATES COULD HAVE BEEN BETTER PREPARED TO HANDLE? IF SO,

FINANCIAL MANAGEMENT QUESTIONNAIRE (continued)

WHAT SUBJECT MATERIAL DO YOU FEEL SHOULD BE STRESSED IN A COURSE PREPARING THE ARMY FINANCIAL MANAGER FOR HIS FIRST COMPTROLLERSHIP ASSIGNMENT?

APPENDIX B
PROPOSED PRACTICAL COMPTROLLERSHIP
COURSE

A. GENERAL

This 95 hour course is designed to prepare students for comptrollership duties in the three principle functional areas of budgeting, military accounting, and management practises (with additional emphasis on cost analysis and budget review and analysis). The time allotted for each subject area reflects the research conclusions and relative need for job preparation. The practical exercises at the end of various blocks of instruction are designed to reinforce that instruction and to give the student a real world example of comptroller procedures and problems. Homework assignments would provide valuable background material which the instructor cannot expound upon during class time due to time constraints and would reinforce class instruction. Reference material used in this course are available through normal U.S. Army Supply channels.

B. PROPOSED COURSE

The proposed course contains 95, 1 hour periods over a period of 12 days. Detailed subject matter breakdown is beyond the scope of this research effort.

| DAY | SUBJECT | PERIOD |
|--------------------------------------------------|---------------------------------------|--------|
| <u>General Coverage (5 hours)</u> | | |
| 1 | Course Overview | 1 |
| 1 | Basic Comptroller Organizations | 2-5 |
| <u>Accounting and Finance Systems (30 hours)</u> | | |
| 1 | Functions of USAFAC | 6 |
| 1 | Duties of the Installation Accountant | 7 |
| 1 | Fiscal Code Overview | 8 |
| 2 | Fiscal Code Overview (con't) | 1 |
| 2 | Funds Flow | 2-5 |
| 2 | Control of Funds | 6-8 |
| 3 | Control of Funds (con't) | 1 |
| 3 | Accounting Management | 2-5 |
| 3 | Accounting Reports (STANFINS) | 6-8 |
| 4 | Accounting Reports (DELMARS) | 1-5 |
| 4 | Revolving Fund Concepts | 6-7 |
| 4 | Accounting Exercise | 8 |
| 5 | Accounting Exercise/Critique | 1-3 |
| <u>Management Practises (20 hours)</u> | | |
| 5 | Management Organizational Functions | 4-5 |
| 5 | Manpower Management | 6-7 |
| 5 | Manpower Surveys/Job Time Acctng | 8 |
| 6 | Manpower Surveys/Schedule X Reports | 1-3 |
| 6 | Internal Review | 4 |
| 6 | Army Audit Agency | 5 |
| 6 | Cost Analysis | 6-8 |

| DAY | SUBJECT | PERIOD |
|----------------------------------------------------|------------------------------------------------|----------|
| 7 | Cost Analysis (con't) | 1-5 |
| 7 | Management/Economic Analysis | 6-7 |
| <u>Budget Formulation and Execution (40 hours)</u> | | |
| 7 | PPBS Overview | 8 |
| 8 | PPBS Overview (con't) | 1-3 |
| 8 | Activity Budgeting | 4-5 |
| 8 | Installation Budgeting | 6-7 |
| 8 | Major Command Budgeting | 8 |
| 9 | Major Command Budgeting (con't) | 1 |
| 9 | Appropriation Budgeting | 2-3 |
| 9 | Quantitative Budget Analysis | 4-8 |
| 10 | Computer Exercise, Budget Formulation/Critique | 1-8 |
| 11 | Review and Analysis | 1-4 |
| 11 | Budget Execution/Reprogramming | 5-8 |
| 12 | Budget Execution Exercise/Critique | 1-7 |
| 12 | Course Wrap Up/Critique | <u>8</u> |
| TOTAL | | 95 |

APPENDIX C

PROPOSED INTERN PROGRAM

A. GENERAL

The following is submitted as a recommended comptroller officer intern program through which incoming junior level military comptrollers should be cycled at the earliest convenience of the gaining command. The chart indicates suggested time periods a given officer would be under the control and supervision of the various comptroller divisional activities. Complementary assignments and related military schooling is indicated to be implemented given time and personnel constraints at the discretion of the comptroller.

INTERN PROGRAM

| Time Period | Responsible Comptroller Division Activity | Complementary Assignments/Schooling |
|-------------|-------------------------------------------|------------------------------------------------------|
| 2 months | Program and Budget Division | Military Comptrollership Course/attend PBAC meetings |
| 1 month | Internal Review | |
| 1 month | Installation Accountant | Military Accounting Course/MISO Orientation |
| 1 month | Management Analysis Division | Installation Management Course |
| 1 month | Finance/Accounting Division | |

B. SUPERVISORY CONTROLS

The intern officer would work under and report directly to the division chief who would in turn assign work with specific priorities and objectives. Every effort should be made to expose the intern to the unusual problems of the trade and to encourage independence. Divisions chiefs would be responsible for the review of completed work and overall progress of training. Monthly training reports would be forwarded to the comptroller.

C. INTERN RESPONSIBILITIES

Over the course of the six month period, the intern officer would serve as a journeyman on each of the five comptroller divisional activities. The intern should make every effort to become exposed to the entire spectrum of Army comptrollership and work closely with division chiefs to satisfy personal needs.

D. DIVISIONAL TRAINING OBJECTIVES

1. Program and Budget

The intern will participate in the installation programming and budgeting process. He/she will issue directives and dollar guidance to program directors regarding the preparation of the Command Budget Estimate (CBE), the Command Operating Budget (COB), and the Budget Execution Review (BER). The intern will be exposed to the use of prior use cost data, budget data, financial reports, fiscal codes, cost codes, open allotments, and elements of expense.

He/she will prepare status of funds data to reflect obligation rates and program overages of slippages. The intern will attend meetings of the Program Budget Advisory Committee (PBAC) and coordinate with the Management Information System Office (MISO) regarding the preparation of the mechanized portions of the CBE, COB, and BER.

The intern will further receive and ensure the validity of program budget estimates. Estimates must be within programmed dollar guidance, unfinanced requirements must be justified, and reimbursements correctly forecast. He/she will be given the opportunity to finalize the overall preparation and submission of portions of the CBE, COB, BER, and monthly management reports.

Finally, the intern will be exposed to the review and analysis of funds distribution, the reprogramming of funds, and the submission of requests for increases or decreases in fund requirements to higher headquarters.

2. Internal Review

The Internal Review division will provide the instruction and supervision to assist the intern in the conduct of audits. Training will encompass auditing procedures, standards, professional ethics, and the preparation of the working papers of the audit report. The intern will be given every opportunity to become involved with the system.

3. Installation Accountant

The intern will receive a general orientation of each branch of the FAO functional responsibilities. OJT assignments will be performed in the areas of appropriation reimbursements, the receipt and control of funding documents, the preparation and reconciliation of status reports, the interface of the stock fund with SAILS and STANFINS, the Central Accounting Office, and any other areas deemed to be important.

APPENDIX D

ACRONYMS

| | | |
|----------|-----------|------------------------------------------|
| AAA. | | Army Audit Agency |
| ABE. | | Army Budget Estimate |
| ADP. | | Automatic Data Processing |
| AERB | | Academic Education Review Board |
| AFP. | | Army Force Program |
| AOB. | | Approved Operating Budget |
| ARA. | | Automatic Reimbursement Authority |
| ASARC. | | Army Systems Acquisition Review Council |
| ASF. | | Army Stock Fund |
| BEG. | | Budget Estimates Guidance |
| BER. | | Budget Execution Review |
| BMG. | | Budget and Manpower Guidance |
| COA. | | Comptroller of the Army |
| COB. | | Command Operating Budget |
| CGS. | | Command and General Staff School |
| CSA. | | Chief of Staff of the Army |
| DA | | Department of the Army |
| DAB. | | Director of the Army Budget |
| DAC. | | Department of the Army Civilian |
| DARCOM | | Material Readiness Command |
| DCSLOG | | Deputy Chief of Staff for Logistics |
| DELMARS. | | Data Element Accounting Reporting System |
| DIO. | | Director of Industrial Operations |

DLSIE. Defense Logistics Studies Information Exchange
DOA. Direct Obligational Authority
DOD. Department of Defense
DPS. Decision Package Sets
FAD. Funding Authorization Document
FAPABS FORSCOM Automated Program and Budgeting System
FAO. Finance and Accounting Office
FMS. Foreign Military Sales
FMAC Financial Management Advisory Committee
FORSCOM. . . . Forces Command
FRA. Funded Reimbursement Authority
FY Fiscal Year
FYDP Five Year Defense Plan
GAO. General Accounting Office
HQDA Headquarters, Department of the Army
ICAR Integrated Command Accounting and Reporting
ICR. Intermediate Range Construction Program
MACOM. Major Command
MAD. Major Activity Director
MCA. Military Construction Army
MCC. Military Comptrollership Course
MILPERCEN. . . . Military Personnel Center
MISO Management Information System Office
MPA. Military Personnel Army
MTMC Military Traffic Management Command
MUSARC Major U.S. Army Reserve Command

NPS. Naval Postgraduate School
OMA. Operations and Maintenance, Army
OMAR Operations and Maintenance, Army Reserve
OMB. Office of Management and Budget
OSD. Office of the Secretary of Defense
PABE Program and Budget Estimate
PARR Program Analysis Response Review
PBAC Program Budget Advisory Committee
PBD. Program Budget Decisions
PBG. Program and Budget Guidance
PDM. Program Decision Memorandum
PMCS Professional Military Comptroller School
POM. Program Objective Memorandum
PPBS Planning, Programming, Budget System
QBA. Quantitative Budget Analysis
RDTE Research, Development, Test and Evaluation
RIC. Reserve Industrial Capacity
RMS. Resource Management System
SA Secretary of the Army
SAILS. Standard Army Intermediate Level Supply System
SECDEF Secretary of Defense
SOP. Standard Operating Procedure
STANFINS Standard Finance System
TRADOC Training and Doctrine Command
USAFAC U.S. Army Finance and Accounting Center
USAIA. U.S. Army Institute of Administration

USAREUR. U.S. Army Europe
USAWC. U.S. Army War College
ZBB. Zero Base Budgeting

APPENDIX E

ARMY MANAGEMENT STRUCTURE DEFINITIONS AND TERMINOLOGY

ACCOUNTING. The process of accumulating and recording financial and statistical data and the presentation of such data.

ALLOCATION. An authorization issued by the Comptroller of the Army to operating agencies for purposes of financing operations at subordinate echelons by means of suballocation or allotment.

ALLOTMENT. This is similar to an allocation except that it is issued by a major command or operating agency to its subordinate units.

APPORTIONMENT. A portion of an appropriation given to a department by the Office of Management and Budget. This cut may be all or only part of the dollars appropriated. An apportionment is an allocation at departmental level and represents the amount that can be committed or obligated.

APPROPRIATED FUNDS. Obligational authority made available by an Act of Congress and distributed for use through the apportionment and allocation procedure.

APPROPRIATION. An authorization by an Act of Congress to incur obligations for specified purposes and to make subsequent payments thereon out of the Treasury of the United States.

ARMY MANAGEMENT STRUCTURE. The official framework for inter-relating programming, budgeting, accounting, and manpower management through a standard classification of Army activities and functions. The structure achieves:

1. Consistency in accounting and budget classifications.
2. Synchronization between these classifications and organizational structures.
3. Support of budget justification by information on performance and program costs.

BENEFIT ANALYSIS. The systematic identification and quantification of the returns or outputs of alternative courses of action.

BUDGET. A planned program for a fiscal period in terms of estimated costs, obligations, and expenditures.

BUDGET AND MANPOWER GUIDANCE. A document issued by a higher headquarters to its subordinate commands to provide information and guidance pertaining to missions, resources, objectives, policies, limitations, and related matters upon which subordinate commands can base their programmed course of action for the fiscal year(s) concerned. It is also referred to as the Program Budget Guidance when guidance comes from HQDA to the MACOM's.

BUDGET AUTHORITY. Authority provided by the Congress (in the form of appropriations) which allows Federal agencies to incur obligations or to spend or lend money.

BUDGETARY CONTROL. The financial control and management of a unit or function in accordance with an approved operating program and budget with a view of keeping obligations, expenditures, and costs within the limitations given.

BUDGET EXECUTION. The implementation and administration of the approved operating budget during the budget year; accomplishment of the mission within available resources without creating overobligations or over expenditures.

BUDGET EXECUTION REVIEW. The process by which the funds required to carry out and complete the programmed objectives and workload for the rest of the current year are determined and forwarded to higher headquarters as the operating program and budget.

BUDGET YEAR. The fiscal year covered by the budget estimate submitted. The term refers to that 12-month period beginning each 1 October and ending 30 September of the following calendar year.

BUDGET ACTIVITY. A function or activity funded under an appropriation category.

BUDGET ESTIMATING. The process of determining the amounts, kinds, and costs of resources needed for accomplishing a mission.

BUDGETING. The process of transplanting manpower and technical resource requirements into time phased financial resources.

COMMAND BUDGET ESTIMATE. A documented course of action for the program year based on Department of the Army preliminary program and budget guidance and used as input to the President's Budget.

COMMAND OPERATING BUDGET. A command's documented course of action for a fiscal year in terms of what is to be accomplished, by whom, and with what resources.

COMMAND OPERATING BUDGET ESTIMATE. A command's total budget document which contains the Command Budget Estimate for the program year and the Command Operating Budget for the budget year.

COMMITMENT. A firm administrative reservation of funds based upon firm procurement directives, orders, requisitions, or requests that authorize the creation of an obligation without further recourse to the official responsible for certifying the availability of funds.

COST ANALYSIS. The systematic examination of the cost of interrelated activities and equipment to determine the relative costs of alternative courses of action.

COST/BENEFIT ANALYSIS. The quantitative examination of alternative courses of actions and systems.

DECREMENT. A listing prepared by installations and activities to facilitate funding reductions that are received after approval of the initial operating program. Items or activities, already included within the funded operating program, are listed in reverse priority. The list reflects the order of those activities requirements that would be deleted first if funds were withdrawn.

ELEMENTS OF EXPENSE. A four position classification code representing the different types of services, goods, and other items being procured or consumed according to their nature rather than purpose.

EXPENDITURE. An accounting term referring to the actual paying out of monies for services or items received.

FISCAL GUIDANCE. Annual guidance issued by the Secretary of Defense which provides the fiscal constraints that must be observed by Defense Agencies in the formulation of force structures and Five Year Defense Programs.

FISCAL YEAR. The 12 month period beginning 1 October and ending 30 September of the following year.

FIVE YEAR DEFENSE PROGRAM. The official program which summarizes the Secretary of Defense approved plans and programs for the Department of Defense. It is the management tool whereby the planning and execution of military activities is expressed in terms of missions and objectives as opposed to funds provided.

FUND AUTHORIZATION DOCUMENT. The approved annual financial allotment of funds by major program which serves as the authority for a command to incur obligations.

FUNDS. Accounting units established for segregating revenues and assets in accordance with law and for assuring that revenues and other assets are applied only to financial transactions for which they are appropriated or otherwise authorized.

INSTALLATION. A group of facilities, located in the same vicinity, that support particular functions. Where installations are located contiguously, the combined property is designated as an installation and the separate functions are designated as activities of that installation.

JUNIOR PBAC. A committee within an organization normally composed of the major activity budget analysts, and chaired by the organization's budget officer. It meets to review and resolve minor resource allocation matters and to make recommendations on major financial and resource allocations programs for consideration by the regular Program Budget Advisory Committee.

OBLIGATION. The estimate or actual amount of the cost of an authorized service or article one has ordered. It is the amount of orders placed, contracts awarded, services rendered, and similar transactions during a given period requiring future payments.

OPERATING BUDGET. The component of the operating program that details the financial plans in term of costs and obligations in support of the operating program for the budget year. The operating budget provides the financial plan to support the activities and functions for which a commander is responsible.

OVEROBLIGATION. This occurs when the aggregate of funds reserved exceeds the amount of funds one is authorized to spend.

OPERATION AND MAINTENANCE, ARMY (OMA). This appropriation is for the operation and maintenance of all organizational equipment and facilities of the Army, for the procurement of requisite equipment and supplies, for the production of audiovisual instructional materials and training aids, for the operation of service-wide activities, for recruiting, and for programs related to the operation and maintenance of the Army.

PROGRAM. A complete plan of work or effort designed to accomplish a stated objective.

PROGRAM BUDGET ADVISORY COMMITTEE. A committee within an organization normally composed of senior representatives of the staff responsible for developing, reviewing, and making recommendations on all financial matters relating to the operations of the command.

PROGRAM ELEMENT. An integrated activity; a combination of personnel, equipment, and facilities which together constitute an identifiable military capability or support activity. Program elements are the basic structural units of the Five Year Defense Plan.

PLANNING, PROGRAMMING, BUDGETING SYSTEM. An integrated system for the establishment, maintenance, and revision of the Five Year Defense Plan and the Defense Budget. The system attempts to combine policy formulation with budgetary allocation and to provide a mechanism for analysis.

PROGRAM BUDGET DECISION. A Secretary of Defense decision to authorize changes to a submitted budget estimate and the Five Year Defense Plan.

PROGRAM OBJECTIVE MEMORANDUM. A memorandum submitted to the Secretary of Defense by the Secretary of the Army which recommends the total resource requirements within the parameters of the Secretary of Defense fiscal guidance.

PROGRAM YEAR. A fiscal year in the Five Year Defense Program that ends not earlier than the second year beyond the current calendar year.

REIMBURSEMENTS. A complex situation, either funded or automatic in nature. Funded reimbursements are centrally controlled and are specified in allocation and authorization documents. Automatic reimbursements are created in the accounting records of the receiving activity to finance activities which will ultimately be paid for by someone else. It is a temporary increase for the duration of the project to the allocation or allotment received from the higher command. When all the accounting is balanced out, the accounts payable equals the accounts receivable.

REPROGRAMMING. The redevelopment of one or more activities or major activities comprising the installation program, to include schedules and supporting budget execution plans. These changes are caused by major policy changes and budgetary decisions which affect one or more of the major activities of an installation.

REVOLVING FUND. This is a fund authorized by Congress to finance a continuing cycle of operations. The proceeds from the operations are available for use by the fund.

STOCK FUND. A revolving fund with which inventories of goods are bought for sale to Army activities. The collections from sales replenish the inventory in order that the system can perpetuate itself.

UNEXPENDED BALANCE. The sum of the unobligated balance and the unliquidated obligations.

UNLIQUIDATED OBLIGATION. An obligation for which payment has not been made.

UNOBLIGATED BALANCE. That portion of available funds which has not been obligated.

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